

# Financial and Operational Analysis of the DeBell Golf Club in Burbank, California



Prepared For:

## **City of Burbank**

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# Introduction and Executive Summary

## PURPOSE

National Golf Foundation Consulting, Inc. (“NGF Consulting” or “NGF”) was retained by the City of Burbank (“City”) to assist in evaluating the operational and economic performance of the City’s municipal DeBell Golf Club (“DeBell GC”). The following report details findings and recommendations on the Burbank golf system, including the NGF review of the DeBell Golf Club, its market environment and a proposed plan for its future.

This executive summary is presented to provide an “at-a-glance” summarization of the full review, detailing the main findings and NGF recommendations for the City to improve its municipal golf operation. Additional details on this summary can be found in the full body of our report and its appendices.

## BACKGROUND

The City of Burbank is operating a good-quality municipal golf facility with an interesting mix of amenities, the centerpiece of which is the unique 18-hole DeBell Golf Club and newer, modern clubhouse. The golf facility appears to be very important to the City, and the DeBell GC has developed a reputation for high activity and low fees that seems to be well known in the north Los Angeles Region. Together with the shorter DeBell Par-3 course and DeBell driving range, the City is now operating a municipal golf system that truly can offer “something for everyone,” from the beginner all the way up to seasoned golf professionals. With the addition of the new clubhouse, the DeBell Golf Club is now offering a facility with differing appeal to a wide variety of golfers and non-golfers alike. The golf facility reflects very well on the City of Burbank and is a fine complement to the overall City image.

In the last several years, the economic performance of the City’s golf course has declined, leading to stress within the system. There have been many reasons for the decline, including factors that are controllable by the City (amenities, pricing, customer service, condition, etc.) and factors that are not controllable by the City (competition, economy, golf market, etc.). The result is a Burbank Golf Fund that is now depleted, with losses on the operation experienced in Fiscal Year (“FY”) 2010 and FY2011 and expected to continue, at least through FY2012. What is needed for this City in late 2011 is an appropriate business plan for the operation of the DeBell Golf Club, the implementation of which will help to improve its fiscal condition.

We also note that the addition of the new clubhouse, financed via retained Golf Fund earnings accumulated over many years, has clearly changed the overall financial condition of the DeBell Golf Club. While NGF recognizes that this new addition may not have been overly popular with some constituencies in Burbank, the golf assets within the City are now fixed, and the NGF Consulting review has been completed to offer the most appropriate plan for this facility going forward, regardless of what has happened in the past. In reviewing the Burbank Golf system, it was conveyed to the NGF consultants that the City of Burbank is “committed to providing affordable golf to the citizens of Burbank,” while making every effort to minimize the economic burden on the City.

## **SCOPE OF WORK**

In 2011, NGF was retained by the City of Burbank to assist with evaluating the DeBell Golf Club and to make recommendations to help ensure the long-term viability of the golf program. This evaluation includes a thorough review of the system on an 'as-is' basis, as well as a consideration of other operating alternatives, including different operational structures. It is expected that the results of this NGF study will be used by the City as a guide for the future of the golf course, and to help convey to interested parties (citizens of Burbank, City Council, etc.) that the City will operate the golf facility in the most efficient manner possible, and clearly identify why and how much City economic support may be required.

The key issues addressed by the NGF team include:

- Overall condition and operating structure of the DeBell Golf Club
- A review of golf industry standards and norms of operation
- Status of the local Los Angeles / Burbank area golf market
- A review of alternate operating models for the DeBell GC
- A review of projected financial performance of the DeBell GC
- A summary of NGF recommendations

NGF Consulting's review of the City's golf program included several meetings, inspections, review of data, and utilization of the NGF consultants' experience and knowledge of golf industry best practices. NGF findings and recommendations are designed to give the City of Burbank a full understanding of its golf facility as a whole, along with an understanding of each individual component within the City's golf facility. The ultimate goal of this project is to create a formal business plan for DeBell Golf Club that will put the system on a path toward long-term economic stability and sustainability.

The NGF consulting engagement was managed by Richard Singer, Director of Consulting Services for the NGF, with assistance from Senior Project Director Ed Getherall.

## **SUMMARY OF NGF FINDINGS**

The DeBell Golf Club is a unique quality municipal golf course with some features that reduce its market appeal (such as short length), but it is located in a very attractive and natural setting that serve to boost its appeal. The golf course is on property deeded to the City by private interests, and the deed requires its continued use as a public golf course. The new clubhouse provides a nice amenity to the facility in both aesthetics and utility, although this building may need minor adjustments to improve its functionality and become more "golfer-friendly."

The facility is generally convenient to access for those familiar with the location, although finding the site can be difficult as DeBell is not immediately adjacent to main area roads and signage to the property is virtually non-existent. NGF has also documented the very limited parking at DeBell, requiring golfers to park on the street during busy periods.

The shorter DeBell par-3 provides a nice complement to the facility adding a golf course with appeal to beginners and other less-skilled or less-serious golfers. This property appeared to NGF to be more of a "park-type" property and less of an enterprise. Further, the NGF understands that the DeBell Par-3 property is not part of the deed restriction that exists for the full DeBell 18-hole property.



## DeBell GC Operations

Operationally, the DeBell golf facility is set up as a separate City enterprise fund (Golf Fund) with three separate operation contracts, along with City oversight. The City oversight services that are charged to the Golf Fund totaled approximately \$500,000 in FY2011 (reduced in FY2012). Although these charges appear to be allocated properly under City guidelines and formulas, the Golf Fund does not appear to be getting good value for these charges, especially when it comes to City support of marketing. The operating contracts for DeBell include:

- **Food and Beverage** – The F & B contract at DeBell is generally consistent with expectations and “standards” at golf courses nationwide and within this market area.
- **Golf Course Maintenance** – This agreement appears to be favorable, as the City would be hard pressed to reproduce the service provided by ValleyCrest at anywhere close to the \$630,000± cost. ValleyCrest is providing its own labor, materials, and equipment, and has the resource of a corporate network to draw on excess support in these areas when needed without additional cost to the City.
- **Golf Pro Shop** – The golf operations and oversight agreement is providing the needed basic service to the City, covering labor, marketing and merchandising of several components of operation. The contract for these services is somewhat unique in that it includes both a fixed management fee and revenue sharing agreements that require payment from the City to the Vendor and from the Vendor back to the City. Still, the net sum of the agreement seems to work for the City, but strong oversight from the City Park Recreation and Community Services Department is still required at high cost as noted above.

## General Observations

In reviewing the day-to-day operations, the NGF team found that the DeBell golf operation is functioning within the norms on many measures of operation (expense, labor, policies, etc.). Some other observations on day-to-day operations:

- The facility is dominated by a large segment of local league and group play that can be both positive (strong core of loyal support) and negative (difficult for non-members to get tee times during peak periods) for the facility.
- The staff has appropriately observed that increasing event, outing, and tournament business will be key to regaining income that has been lost in recent years, requiring enhancements to marketing and improved cooperation between parties to the agreements.
- The marketing of the golf operation appears to employ many of the basic elements that NGF typically recommends in modern (2011) golf marketing, such as Internet, email, social media, and working with discount golf wholesalers (GolfNow, etc.). However, the total marketing budget for DeBell is lower than standard, with almost all of this provided by SS GOLF and limited support from the City.
- The Clubhouse Grill appears to be operating a restaurant that happens to be located at a golf course rather than a golf course food and beverage concession. There are reported problems with service, prices, and the snack window, plus the facility is lacking a “grab-and-go” system of food and beverage service that is popular at successful golf courses. The downside risk to the City of Burbank from a mismatched

food and beverage agreement is greater than the upside potential City income from the contract agreement.

### Physical Condition

The maintenance condition of the DeBell course appeared to be generally good during NGF's inspection, although there were some trouble spots observed. The NGF finding was supported by other independent sources, along with results of NGF's golfer survey. The key areas for the City to consider in upgrading DeBell:

- The irrigation system is outdated and, although it is not urgent right now, likely will need either replacement or upgrade in the coming years. Improving the irrigation system can help reduce the large utilities expense on DeBell.
- There are too many trees on the DeBell golf property and this is affecting both the condition of the course in some places (too much shade); and ease of play, with very narrow holes making the course difficult for golfers to score well.
- The driving range is a good revenue source for the facility but is in need of some upgrade, and would benefit from improvements, including upgrade to the range building and some form of covering to allow for greater volume of use in overly hot or otherwise inclement weather.

### Performance

The NGF review of the operating data of the DeBell Golf Club shows:

- Rounds of golf are down considerably at DeBell in the last 6 ( $\pm$ ) years. Specifically, non-resident rounds have declined the most while discount (GolfNow, etc.) rounds have grown the most.
- DeBell GC is now hosting rounds in the low to mid 50,000s, but it is a reasonable expectation for DeBell to be hosting approximately 60,000 rounds annually, even in the current economic and competitive climate.
- Total gross revenue from all sources before revenue sharing totaled close to, or just over, \$3.0 million in each of the last two years, or about \$57.00 per round of golf.
- The review of the City's position in golf shows a net income before capital, depreciation and debt of around **(\$280,000)** in each of the last two years and expected for FY2012. The largest expenses charged to the City Golf Fund are Utilities (\$400,000) and "services of other departments" (\$432,000), both of which are paid by the Golf Fund to the City of Burbank.
- The review of SS GOLF's position in DeBell GC shows a business that is operating at close to "break-even," perhaps with a moderate profit of around \$20,000 ( $\pm$ ) in FY2011 and FY2012. SS GOLF has made a recent investment in retail merchandise that is impacting profitability.
- The NGF review of the food and beverage revenue center shows a modest profit on the operation, but this excludes direct labor expense for the two principals of R & M.

## Survey

NGF completed a survey of 669 DeBell Golf Club golfers, with 41% coming from non-residents of Burbank, 31% coming from Burbank resident-card holders, 11% from club members, and the remaining from a mix of various groups of players. The six most significant findings showed the DeBell golfers:

- Have a high level of loyalty but still utilize many other area golf courses
- Rate the golf staff highly
- Are concerned about food and beverage service
- Like to be in touch via computer (Internet, email)
- See DeBell GC as a good overall value
- Want to see some improvements to the golf course, range, and other facilities

## Golf Market Overview

As part of our consulting effort, NGF completed an analysis of the Southern California golf market, focusing on key issues such as supply and demand, specific local anomalies, market competition, and benchmark comparisons to other regional municipal golf systems. Our review found:

- National trends in the golf industry are generally not favorable for operators of golf courses. The total number of “core” golfers (and their spending) is declining and the number of golf courses had been increasing, although this has finally slowed.
- The local region has favorable attributes related to economic activity that can translate to high golf activity. High incomes and the presence of large employers typically translate to higher-than-average golf activity, potentially helping the DeBell Golf Club. Negative attributes include increasing traffic congestion, local recession, and numerous competitors serve to limit per-facility golf activity.
- The overall golf market in the Los Angeles metro area is large, with upwards of 22.5 million rounds of golf potential demanded at area golf courses, including 3.2 million in the local 10-mile DeBell GC market alone. Overall participation in golf is predicted to be higher than average in the City of Burbank market, but actual participation may be slightly lower, at least in part due to recent economic realities.
- Along with an expected higher participation rate come lots of golf courses, including 8.5 new 18-hole equivalent courses added in the Los Angeles MSA since 2001 after an active 1996 to 2001. The overall ratio of households to golf courses is favorable in the Los Angeles market.
- The subject DeBell Golf Club has several facilities that stand out as offering the most direct competition. It appears that Hansen Dam GC, the Wilson and Harding Courses at Griffith Park, and the Nay Course at Brookside GC represent the most comparable facilities based on price, quality, and amenities offered. The DeBell Golf Club generally compares well to its immediate competition with a shorter, but more unique golf course experience and new modern clubhouse.

- The terms for operating agreements at municipal golf courses in this region are highly varied with many different structures and forms of compensation. The hybrid, multiple agreement operating structure of DeBell GC, while not common, is observed at other regional municipal golf operations.
- Burbank's total allocated overhead expense was considerably higher than that of the other seven systems for which we were able to collect data. In terms of total utilities (water plus electric) expense, DeBell GC was considerably higher than five of the six other regional municipal golf systems for which NGF was able to obtain data (Burbank and Rancho Simi were about the same). Water costs at DeBell were at the high end of the scale in terms of per-hole costs, but more towards the middle of the smaller sample for which we also had costs on a per acre foot basis (more detail later in report).

## SUMMARY OF NGF RECOMMENDATIONS

The recommendations made by NGF Consulting include the operating structure and other improvements designed to increase revenues and reduce expenses, some of which may require new capital investment.

### Operating Structure

NGF completed a review of potential operating models for DeBell Golf Club, including full self-operation, concession agreements, management contracts, and leases. The results showed that a full-service management contract with a single operator covering all aspects of the operation (pro shop, maintenance and food / beverage) would lead to the most efficient structure for the Burbank golf system due to:

- **Reduce City Overhead.** This option should simplify the DeBell operation for the City and allow for reduced City involvement and thus a reduction in City allocations of "services of other departments."
- **Operating Efficiency.** There are likely to be operating efficiencies and economies of scale with a single operator that is responsible for management, maintenance and food and beverage. Having a single operator results in full coherence and cohesiveness of all aspects of the operation, thus reducing redundancy.
- **Alignment of Interests.** This option allows for the consolidation of three separate contracts into one single contract covering all aspects of the DeBell GC facility. The City could (and should) encourage the present pro shop vendor and maintenance contractors to combine and form a single entity for this agreement to provide continuity.
- **City Retain Control.** The City of Burbank will still be able to retain some control of the DeBell GC operation in terms of providing community service benefits such as high school golf, junior/senior discounts, and an active league and club program.
- **Shorter Term.** The City can continue with its preferred program of keeping agreements to five years or less.
- **Economic Impact.** NGF expects that this structure will improve the overall economic performance of the DeBell Golf Fund. However, one key assumption that will drive the economic improvement will be a reduction in the "services of other departments" that is charged to the Golf Fund (may remain as a cost to the City).

## Other Recommendations

In addition to structure, NGF prepared a full schedule of specific physical, operational, and marketing recommendations that are detailed in this NGF report. The most significant of these included:

### Most Important Physical Recommendations

- Invest in physical upgrades at DeBell such as cart paths, irrigation, and signage.
- Complete a long range master plan of enhancements in conjunction with a qualified golf course architect.
- Improve the driving range facility, including new lighting
- Remove the old cart barn rather than complete the seismic retrofit.
- Relax the “one-for-one” tree replacement policy.

### Most Important Operational Recommendations

- Strive to reduce the City's oversight responsibilities for DeBell, thus reducing the large City overhead expense.
- Do not be too aggressive on fee increases, as previous increases have led to reduced rounds at DeBell and other area golf courses.
- Work to improve the overall food and beverage service at DeBell to become more “golfer friendly.”
- Keep the DeBell Par-3 as part of the overall DeBell Golf Club operation. While the facility may not be overly profitable, it is providing a service to the community and helping to grow golfers in the area, ultimately helping DeBell GC.

### Most Important Marketing Recommendations

- Improve the DeBell GC website with more pictures, directions to the course and more information about clubhouse use (banquets, parties etc.).
- The City should assist with marketing the golf course and reduce the “negative-only” public discussions about DeBell.
- Work with food and beverage vendor to help improve Clubhouse Grill marketing.

## SUMMARY OF NGF FINANCIAL PROJECTIONS

As part of this study effort, NGF prepared an analysis to show what the potential economic performance of DeBell Golf Club could be considering the recommendations made in this report, and under various forms of operational structure. The DeBell GC performance was evaluated assuming: (1) continued 'as-is' operation with three separate contracts for maintenance, pro shop and food/beverage; (2) modified 'as-is' that changes the pro shop and maintenance agreements and retains the present food/beverage contract; and (3) operation with a new management contract with a single operator covering all aspects of the DeBell operation beginning in 2014.

### Results

The results of the NGF financial analysis of DeBell GC show that the facility could improve its financial position by either modifying existing vendor contracts, or switching to a full-service contract with a single vendor. However, even with revenues totaling over \$3.5 million (from all sources), DeBell GC will still not be able to earn revenue sufficient to cover all its obligations under any of the scenarios presented. The change to an all-inclusive management contract with a single vendor should allow the facility to reduce expense enough to cover most obligations, although debt and depreciation remain uncovered.

In summary of our financial analysis, several findings are clear regarding the financial condition of the DeBell Golf Club:

1. The most significant expenses in the operation are overhead and utility charges that are at the high end of the scale in terms of the municipal golf course sample for which NGF was able to collect information. The fiscal stress on DeBell GC will remain as long as these expenses remain at their present levels, **regardless of operational structure.**
2. Even if the facility can increase total gross revenues to over \$3.5 million, DeBell Golf Club will not be able to earn enough revenue to completely cover both operational costs and all other expenses such as capital, debt amortization, and depreciation under any of the scenarios presented.
3. The City should consider 60,000 rounds (18-hole course) to be a realistic minimum level in order to generate the revenue needed to cover facility expenses, including the aforementioned City overhead, utilities and capital.
4. DeBell Golf Club would benefit from some level of upgrade to the golf course that can help improve revenue or reduce expense. Irrigation enhancements can help reduce water (utility) expense, range improvements can lead to more range use, and cart path improvements can help increase rounds and reduce wear on golf carts.

In summary, the NGF Consulting cash flow model for DeBell Golf Club, assuming the facility upgrades are successfully carried out, shows the improved golf facility generating enhanced revenues that should be sufficient to pay for basic operational upkeep. The scenario of a single, full-service management contract provides the best opportunity to comfortably meet fiscal requirements due to streamlined operation through one contractor, assuming it leads to reduction in City oversight and expense. The second point appears most important as the City overhead on DeBell GC remains one of the largest single expense line items for the Burbank Golf Fund.

## SUMMARY CONCLUSION

In summary, our findings are that the City of Burbank is operating a popular golf facility with amenities that are good enough to generate close to \$3.0 million in total gross revenue. NGF found six key specific areas that we feel are the most significant contributors to the recent economic performance of DeBell Golf Club:

1. High City overhead and utilities expense structure
2. Declining interest in golf nationwide and regionally
3. Intense competition from many golf courses and discounting
4. A need to improve marketing to include both passive and active marketing efforts
5. A mismatched food and beverage structure for the facility
6. Inadequate parking at DeBell

**In review of the Burbank golf system, NGF finds that action on these above items will provide the greatest relief of economic stress to the system, although working to consolidate the system under a single operator will also help to relieve some economic stress. Assuming it is in the best interest of the City of Burbank for the golf system to remain viable, it is expected that these changes will provide some economic relief to the DeBell GC Golf Fund.**

**The most important NGF recommendations for Burbank Golf include:**

1. Reduce City overhead
2. Improve marketing
3. Complete some modest upgrades to the DeBell facility
4. Make the food and beverage service more “golfer-friendly”
5. Resist increasing fees as a method to reduce fiscal losses

If action on these items does not produce improvement in next two years, then the City will have to consider more significant change in the DeBell operation. The change recommended by NGF in that case is reducing to a single full-service contract covering all aspects of the operation. However, this change may not be necessary if:

1. The City can modify its agreements with vendors
2. Increase revenue beyond NGF projections
3. Be willing to spread debt service
4. Reduce City overhead on DeBell (key)
5. Reduce utilities expense
6. City values non-economic benefit of DeBell



# City of Burbank

## Municipal Golf System Overview

The City of Burbank golf system comprises four separate areas of revenue generation, including:

Facility	Type
DeBell GC	18-Hole Golf Course
DeBell Par -3	9-Hole par-3 Course
DeBell Driving Range	Driving Range
DeBell Clubhouse	Food and Beverage Services with Banquet capabilities

In our review of the Burbank Golf system, the NGF Consulting team found a good quality golf facility with a varied mix of amenities, each serving a specific niche. The centerpiece facility, the 18-hole regulation DeBell Golf Club, features a very high quality golf course that is unique to its market and well-maintained. DeBell GC includes the appropriate ancillary support amenities that golfers are accustomed to finding at good quality golf facilities (i.e., clubhouse, driving range, pro shop, food and beverage or “grill” operation). Further, the NGF team has observed that the DeBell GC facilities are located in a residential area of the City and thus have developed a local “core” market from which to draw. The DeBell GC property was deeded to the City back in the late 1950’s for the specific purpose of operating as a public golf course. The NGF understands that the site cannot be used for any other purpose or it will be reverted back to its previous owner. The NGF further understands that the property for the DeBell Par-3 golf course has a different structure and does not fall under the broader DeBell deed restriction.

As part of this consulting effort, NGF Consulting has observed a dedicated staff at DeBell, working under separate agreements and yet striving for the same goal. While there may be some disagreements between the contractors and the City, the system appears to be functioning adequately as there are no obvious and major deficiencies in the physical quality or operational condition of the DeBell GC. Further, the City appears willing to put additional resources into the golf courses, provided these resources are used to help improve financial performance and increase revenues.

### LOCATION AND ACCESSIBILITY ANALYSIS

DeBell Golf Club is located in the northern section of the City of Burbank, at the base of the Verdugo Hills and proximate to the residential section of Burbank north of Interstate-5. Primary access to the facility is via Stough Canyon Ave., an extension of Walnut Ave. which is a main road through this section of residential Burbank. The clubhouse and 18-hole golf course are at the intersection of Stough Canyon Ave. and N. DeBell Dr., about 0.5 miles north of Sunset Canyon Dr. N. DeBell Dr partially bisects the golf course property with eight holes to the south and 10 holes to the north. Another access point is via Harvard Rd, which also connects to Sunset Canyon Dr. The DeBell Par-3 course is accessed via Harvard Rd., along with a side road to the Castaways banquet facility.



The DeBell GC facility is approximately 1.5 to 2.0 miles from Interstate-5, using either San Fernando Blvd or Burbank Blvd interchanges. Overall, the facility is relatively convenient and easily accessible for golfers familiar with the location. For those customers less familiar with the location, finding DeBell GC may be slightly problematic as there is no signage to the facility until the main sign at the intersection of E. Harvard Rd and N. Sunset Canyon Dr, and the much smaller sign at Walnut and Sunset Canyon Dr. The NGF did not observe any other signage in Burbank directing golfers to the DeBell GC location.

The facility is bounded by the Verdugo Hills and large areas of open space, with a few residences. The site does have dense tree covering throughout that forms a signature feature of the property and also provides separation between golf holes that tend to be bunched tightly together (more later in this report). The golf course has some considerable topographical change with higher portions on the north (mostly back) nine holes and lower portions on the south (mostly front) nine holes. The map below puts the location into local and regional context.

## Local Map Context



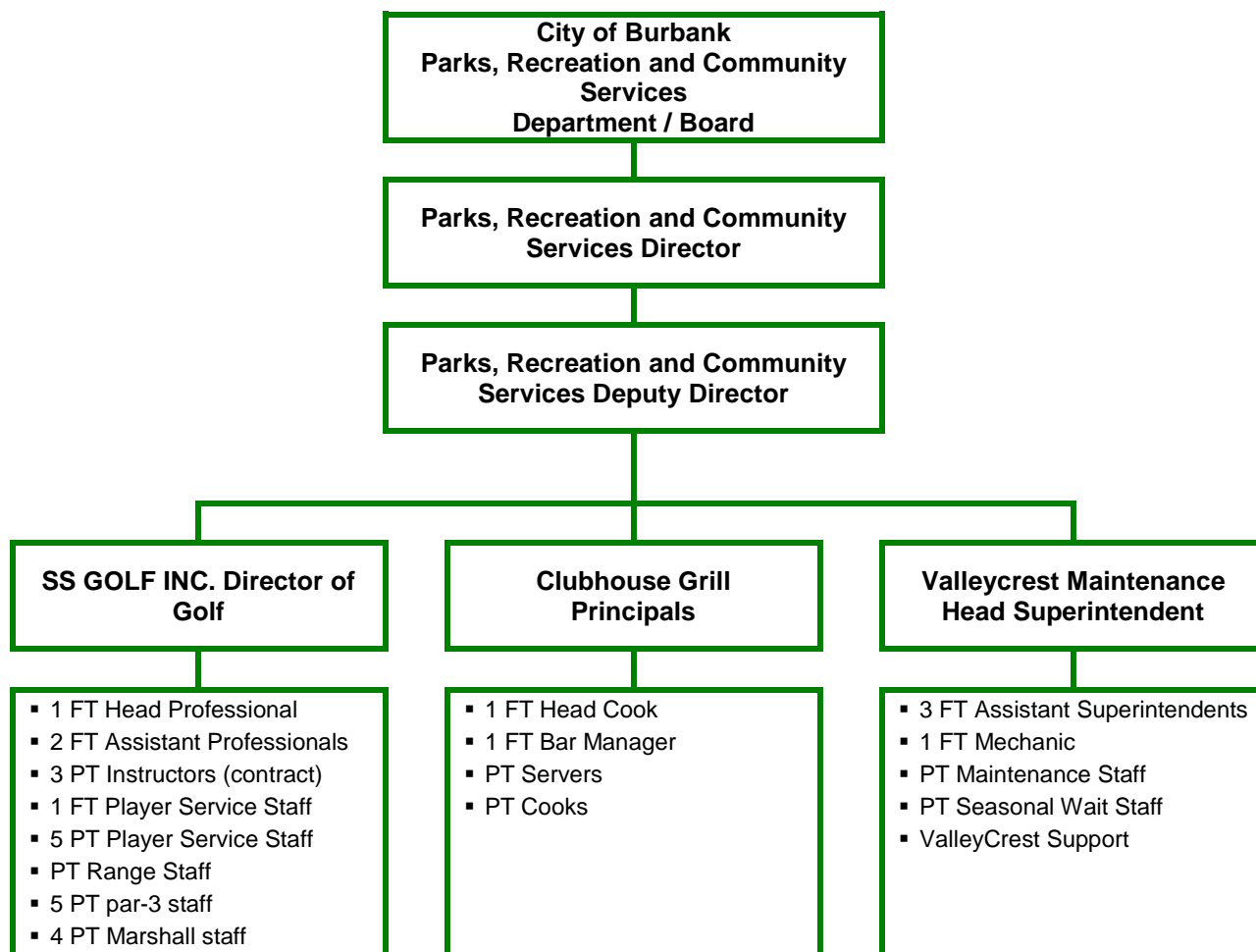
## ORGANIZATION AND ADMINISTRATION

The City golf program is structured as an enterprise fund, which is common in municipal golf all across the U.S. The system is structured with ultimate authority in the City of Burbank Park, Recreation and Community Services Department and its Director. This Department operates the golf facility through a system of three separate contracts:

- Golf Course Maintenance Contract (ValleyCrest Maintenance)
- Clubhouse/Pro Shop Contract (SS GOLF, INC.)
- Food and Beverage Construct (R & M Concessionaires, Inc.)

### Organizational Structure 2011

The current City of Burbank golf system organizational chart is shown below:



## City-Wide Support for Golf System

The City of Burbank golf operation is a key element of the City's public service offering, and the course has support from all levels of City administration.

**Marketing** – At present there is no comprehensive City-wide marketing plan for golf and the NGF did not observe any marketing, advertising, or promotional budget allocation related to the Golf Fund anywhere within the large “Services of Other Departments” budget item (more below). We further note a golf citizen advisory comment that the only publicity about DeBell from City Hall has been negative, and that City officials rarely (if ever) mention the DeBell GC facility (not included on Mayor's report on Channel 6 for example). The City does have a link in several places on the City's website ([www.ci.burbank.ca.us](http://www.ci.burbank.ca.us)) directly to the DeBell GC website ([www.DeBellgolf.com](http://www.DeBellgolf.com)), although the City website does not include any descriptions of the golf course, noting only the DeBell Golf Enterprise Oversight Committee. The City's recreation guides include an extensive review of golf lessons, programs, and classes offered at DeBell with a link to the DeBell website.

**Park Board** – The City of Burbank Park, Recreation and Community Services Department has a Park Recreation and Community Services Board that oversees park operations, including the golf course, and reports to/advises the City Council on matters pertaining to the management and operating policies of DeBell GC.

**Accounting** – The golf courses are required to provide an appropriate accounting statement to the City each year for review. All financial statements provided to NGF Consulting by the City of Burbank are prepared using an accrual basis of accounting, where revenues are recognized when earned, and expenses are recognized when incurred.

**Enterprise Fund** – The City of Burbank operates the golf course under a defined Golf Enterprise Fund. The enterprise fund structure is very common for municipal golf systems, both in the State of California and nationwide. The City currently supports the enterprise fund for larger capital improvements and covers the debt service on the facility. As of June 30, 2011, the Golf Course Fund cash position had a balance of \$252,000, although the fund did show a negative balance of (\$187,000) at June 30, 2010. The fund had been very strong with over \$6,696,000 in balance at June 30, 2007, but has been depleted as part of the program to add a new clubhouse at DeBell GC.

Enterprise accounting allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy or other available funds, if any. A community may choose to recover total service costs through user charges, but it is not required. Enterprise funds frequently are used to account for services whose costs are only partially funded by fees and charges. A community may account for a certain service in the general fund, special revenue fund or an enterprise fund. The advantages of using the enterprise fund method include the ability to demonstrate the total cost of the service, ability to retain investment income, and surplus.

## Charges for “Services of Other Departments”

Like many municipalities that operate golf facilities, the City of Burbank has a program for assessing the golf course for certain services provided by other City departments. These expenses are recorded in the financial performance statements as “Services of Other Departments,” and are allocated to the golf fund by formula based on a square footage assessment. These expenses are significant to the golf operation, showing \$317,500 in FY2006

growing to over \$577,000 in FY2010, then reducing to \$485,000 in FY2011 and \$432,000 in FY2012.

These charges are divided between direct and indirect services. The indirect services include 16 separate cost centers totaling \$408,782 in FY2011. Of these, the four largest include Park Facilities (\$182,381), Facilities Maintenance (\$60,032), Administration (\$57,857) and Landscape (\$34,854). These charges have been a point of contention for the golf operations for two reasons: (1) the charges were increased dramatically in the last few years (especially after the addition of the new clubhouse); and (2) the amount charged may not fully represent "market rate" for the services rendered. It is difficult for NGF to appropriately estimate the "true value" of these services, but our review shows the expenses represent an appropriate allocation within the City of Burbank, but result in amounts that are higher than what a privately-owned golf course would pay for comparable services such as financial, accounting, legal, custodial, IT, administration, etc.

It is difficult to establish a "standard" for these charges across municipalities as there are so many variables between Cities and Counties. Recent NGF consulting engagements for cities operating a single 18-hole golf course show charges for the services of other city departments of over \$330,000 in the City of Rockville, MD, \$176,000 in the City of Auburn, WA (also added a new clubhouse in 2009), and \$18,000 for the City of Bartow, FL. Further review of selected Southern California municipalities shows most charging for internal services at a rate under \$300,000 per 18-holes, including \$216,000 in Alhambra, \$162,700 in Santa Barbara, \$300,000 in San Clemente and \$106,000 in Anaheim (more in benchmarking section later in this report).

In general, the NGF recommends that the services be charged at a rate as close to "market" as can be established. That is to say that the golf course should not be charged for these services at a rate that would be higher than would have to be paid for the services if acquired through private sources on the open market.

## **System Debt**

At present, the DeBell GC is operating with some outstanding debt from loans received from the City of Burbank General Fund. This includes a \$2.5 million loan for completion of the new clubhouse in FY2009 and then a \$1.0 million loan to replenish the golf fund in FY2011. The clubhouse loan in FY2009 was for only part of the clubhouse construction expense as roughly \$6.0 million of the expense was funded through accumulated cash in the golf enterprise fund. The annual service for the \$2.5 million debt was \$125,000 per year for FY2009-2011. This annual debt service was waived by City Council action for FY2012-2015, restarting again in FY2016 as \$175,000 to account for the addition \$1.0 million from FY2011. This annual debt payment is relatively low when compared to other municipal golf systems both locally and nationally. It was reported to NGF that the DeBell GC operated without any debt service for many years prior to the addition of the clubhouse in FY2009, with all golf facility profits put back into the golf course enterprise fund reserve.

## **Depreciation**

Total depreciation is another large expense charged by the City of Burbank in the DeBell GC golf enterprise. This item has seen considerable growth with the addition of the clubhouse in FY2009, with the full effect realized beginning in FY2010. Total depreciation expense for the DeBell golf enterprise was \$577,658 in FY2010, of which \$412,131 is for the clubhouse building. This depreciation expense is not part of the operating financial performance or cash flow, but is

a key expense in the overall DeBell operation and would remain even if the DeBell GC was to be privatized in some form (new lease or management contract).

## Enterprise Fund Summary

The summary of the above elements shows that there is as much as \$1.56 million in overall expense for the DeBell Golf Enterprise that is paid (or charged) directly to the City of Burbank in FY2011. A summary of these charges is shown in the table below. These expenses are significant to the operation and will be part of the NGF financial analysis of the DeBell facility and all alternative options for continued operation (presented later in this report).

<b>DeBell Golf Club</b>		
<b>Total Golf Enterprise Expense Charged From City of Burbank 2010 - 2011</b>		
<b>Expense</b>	<b>2010</b>	<b>2011</b>
<b>Cash Items</b>		
Utilities (to Burbank Water and Power)	\$372,006	\$384,534
Services of Other Departments	\$577,946	\$484,956
Debt Service (paid to City General Fund)*	\$125,000	\$125,000
<b>Total Cash Items</b>	<b>\$1,074,952</b>	<b>\$994,490</b>
<b>Non-Cash Items</b>		
Depreciation	\$577,661	\$564,399
<b>Total 'Internal' Expense</b>	<b>\$1,652,613</b>	<b>\$1,558,889</b>
Source: City of Burbank *Debt service has been suspended by City until FY2016 at \$175,000 per year.		

## Golf Management / Pro Shop Agreement

The DeBell GC pro shop and golf operations are structured as an agreement between the City of Burbank and SS GOLF, INC. (SS GOLF), a company formed specifically for the purpose of operating the DeBell GC. This entity has been in place with this agreement since 2001, although the present vendor's father had been in place with similar agreements dating back to 1971.

The current agreement covers all aspects of the golf operation except golf course maintenance, golf cart maintenance and food and beverage service (other contracts). Key areas of the agreement cover golf course operation, management of tee times, golf instruction, junior golf, starter services, marshal services, and tournaments. The compensation for this agreement includes a management fee paid to SS GOLF, along with a sharing agreement for some other revenues. The result of this is payment in both directions as the City pays SS GOLF a management fee plus a small share of green and cart fees, and SS GOLF pays the City a share of range, merchandise, and repair sales.

The City provides oversight to the agreement via contract compliance through the Parks, Recreation and Community Services Director. SS GOLF has a principal stakeholder referred to as the "Director of Golf" and is responsible for hiring all golf operations employees.

## Agreement Structure

The current contract for golf operations between the City of Burbank and SS GOLF was a five-year agreement that began in October 2006, running through October 2011. Since that time the structure is a continuing month-to-month agreement (as per contract) while the City decides the longer term future of the golf operations structure at DeBell. The results of this NGF study will assist the City in determining whether the present contract will be renewed and/or modified, or another vendor sought. NGF will also consider the possibility of the City self-operating the golf



facility as an alternative option for the future. Some key elements of the present agreement include:

- **Compensation** – Compensation works in three parts:
  - The City pays SS GOLF a \$12,000 per month management fee (subject to CPI adjustment each year – has been deferred by SS GOLF since July 2009). This fee is \$12,444 in early FY2012.
  - The City pays SS GOLF 10% of cart revenue and 5% of all green fee revenue (18-hole and par-3 course).
  - SS GOLF owns the driving range, lessons, and merchandise and repair revenues and pays the City 25% of range revenue plus 5% of merchandise and repair revenue (no share on lessons).
- **Personnel** – SS GOLF is responsible for providing all golf operations employees, with appropriate uniforms. All staff is employed by SS GOLF and not the City.
- **Inspections and Records** – The DeBell GC facility is subject to City inspection at any time. SS GOLF must create a 5-year plan for the operation and provide a monthly report to the City. SS GOLF must maintain accounting records and make them available to the City for inspection.
- **Authority** – SS GOLF has authority to decide when the golf course is open (inclement weather), set golf pricing (green fees, etc.), advertise the facility, add signs and make physical improvements, **all subject to City approval**.
- **City Requirements** – SS GOLF must carry appropriate insurance, cannot transfer, assign or pledge this agreement as collateral, and must accommodate and work with golf clubs and leagues.
- **Reimbursement** – If the City elects to change vendors after agreement, some reimbursement for SS GOLF investment in fixtures, equipment, or resale merchandise will be paid.
- **Cancellation** – The City can cancel agreement if SS GOLF is found to be in default of any provision, most significant of which is failure to keep up the premises.

In review, the NGF finds this agreement has many features that are common in golf course concession agreements with municipalities, with some features that are less common. The basic characteristics, responsibilities, and oversight mechanisms are very common in municipal golf contracts. The payment structure that includes both payment from and payment to the City is less common. The NGF reviewed an Independent Accountants' Report on the compliance of SS GOLF for the 2-year 2009-2010 period. This report showed only minor discrepancies in record keeping of SS GOLF and no findings of fault with the internal controls of SS GOLF.

## Food and Beverage Agreement

Another area of DeBell GC operations that is structured via contract is the food and beverage operation, which has been under contract with R & M Concessions (R & M) since 1998. Upon opening a new clubhouse operation, the City of Burbank has continued with this company to provide the food and beverage service at the facility under a new name – The Clubhouse Grill at DeBell GC. R & M has a 5-year agreement that was originally signed in November 2007, but was extended due to the new clubhouse for five years beginning in November 2008 through November 2013.

The current agreement covers all aspects of the clubhouse / food and beverage operation such as restaurant, banquet, beverage cart and snack bar operations. The compensation for this agreement includes a share of revenues paid from R & M to the City of Burbank, including a capital reserve portion. The City provides oversight via contract compliance through the Parks, Recreation and Community Services Director. R & M has two principal stakeholders that are present in the operation 7-days per week and are responsible for hiring all grill operation employees.

### Agreement Structure

The key elements of the food and beverage / clubhouse agreement include:

- **Compensation** – Clubhouse Grill pays the City of Burbank fees on the following schedule:
  - 10% of all food and beverage revenue (excluding alcohol).
  - 12% of all alcohol sales.
  - 50% of vending machine sales.
  - 50% of beverage cart lease
  - 3% of total gross F & B revenue for capital replacement fund.
- **Personnel** – R & M is responsible for providing all F & B operations employees, with appropriate uniforms. All staff is employed by R & M and not the City.
- **Inspections and Records** – The Clubhouse Grill operation is subject to City inspection at any time. R & M must provide a monthly report to the City and maintain accounting records and make them available to the City for inspection.
- **City Requirements** – R & M Golf must carry appropriate insurance, cannot transfer, assign or pledge this agreement as collateral, may not use the name “Clubhouse Grill” in any other venture and must provide an adequate replacement manager if principals are to be away for an extended period (must have 5 years experience in F & B Management).
- **Pricing** – R & M can set prices as long as they are consistent with other operations of a similar nature, subject to City approval.
- **Liquor License** – R & M must obtain and maintain all appropriate licenses and show annual proof of health department compliance.
- **Hours** – Clubhouse Grill must provide food service and be open for business when the golf course operation is open, even in inclement weather (City decides). The beverage cart is in operation from 10 am to 6 pm Fri-Sun, and 10 am to 5 pm Mon – Thu.
- **Advertising** – R & M is allowed to advertise the Clubhouse Grill in various forms, including signs, all subject to the approval of the City.
- **Reimbursement** – If the City elects to change vendor after agreement, some reimbursement for R & M investment in fixtures, equipment, or resale merchandise will be paid.
- **Setting Goals** – R & M must create plan to promote services, develop an appropriate menu, use and promote the Community Room and work with the golf operations staff (SS GOLF) to organize the DeBell GC website.

- **Cancellation** – The City can cancel agreement if R & M is found to be in default of any provision, most significant of which is failure to keep up the premises.

In review, the NGF finds this agreement is very consistent with golf course food and beverage agreements with municipalities, with a compensation program of 10% of total gross revenue paid to the municipality being the national “standard.”

## Golf Maintenance Contract

The third key contract in place for the operation of the DeBell GC is the contract for the maintenance of the golf course playing area. This agreement is with ValleyCrest Maintenance, and is also a five-year agreement that runs through February 2012. In fact, ValleyCrest is on a temporary extension of a previous agreement. ValleyCrest has been in place at DeBell GC since 1985, and lists this facility as the first golf course maintenance contract for this company.

The current agreement covers all aspects of maintaining the golf course playing area, including the par-3 golf course. The contract provides specific standards of maintenance for key areas of the golf course property, including greens, tees, fairways, cart paths, bunkers, trees, shrubs, barrancas, irrigation system, and the driving range. The compensation for this agreement includes a monthly maintenance fee paid by the City for specific maintenance responsibilities. The City provides oversight to the contract through the Parks, Recreation and Community Services Director. The contract requires ValleyCrest to have a Golf Course Superintendents' Association (GCSAA) Class-A Superintendent on site as the lead employee, and is responsible for hiring all golf maintenance employees.

## Agreement Structure

The key elements of the golf maintenance contract are listed below. The results of this NGF study will assist the City in determining whether the present contract will be renewed and/or modified, or another vendor sought.

- **Compensation** – Compensation works in three parts with the City paying ValleyCrest:
  - \$43,337 per month for maintenance of the 18-hole golf course, driving range & related facilities.
  - \$4,084 per month for maintenance of the par-3 golf course.
  - \$5,339 per month for tree maintenance on DeBell GC.
  - The above elements total \$52,760 per month, or \$633,120 per year.
- **Personnel** – ValleyCrest is responsible for providing all golf maintenance employees, with appropriate uniforms. All staff is employed by ValleyCrest and not the City, but ValleyCrest must pay prevailing wage to employees as per City requirements. If the City is not satisfied with any employee ValleyCrest has 15 days to make a replacement.
- **Inspections and Records** – The DeBell GC facility is subject to City inspection at any time. ValleyCrest must produce weekly and monthly maintenance reports for the City, and provide a full inventory of every tree on the property.
- **Capital Improvements** – If ValleyCrest makes capital improvements to the property the City will reimburse, but the City is not obligated to use ValleyCrest for these services and can go to another more favorable bid.



- **Tree Replacement** – ValleyCrest is required to replace any trees that die or are cut down for other reasons with a one-for-one replacement of like quality and species of tree.
- **City Requirements** – ValleyCrest must carry appropriate insurance and cannot transfer, assign or pledge this agreement as collateral.
- **Equipment** – ValleyCrest provides all equipment necessary for the maintenance of the DeBell GC.
- **Utilities** – The City of Burbank is responsible for paying all utilities for the maintenance of the DeBell GC.

In review, the NGF finds this contract to be fully within the norms of maintenance contracts nationwide. Further, it appears that the City of Burbank is benefiting from the ValleyCrest “cluster” of golf facilities under contract in this local area. This “cluster” allows ValleyCrest to bring in extra equipment and or personnel when special circumstances arise (as with the excessive flooding of barrancas a few years back). The requirement to replace trees on a one-for-one basis is more unusual, but understandable given the Burbank commitment to maintaining trees at this site (more from NGF in review of golf maintenance issues).

When considering the expenses associated with maintenance of golf courses, particularly labor and equipment expense, it would appear to NGF that the City is getting a good overall value from this agreement. It is unlikely that the City could match this expense if the golf maintenance function was kept in-house (City maintenance), although another contractual arrangement, possibly an all-inclusive arrangement (operations and maintenance together), could provide some savings in total expense (more later in this report).

### **The DeBell Golf Enterprise Fund Oversight Committee**

Per the City Council's direction, on July 12, 2011 a Golf Fund Oversight Committee (Committee) was created to provide additional oversight of the DeBell Golf Enterprise Fund (Golf Fund) and to make recommendations to the City Council on matters related to the operations of the golf course. The six-member Committee is comprised of two City Council members, two Park, Recreation and Community Services (PRCS) Board members, the PRCS Director and Financial Services Director.

The Committee held its first meeting on July 27, 2011. The Committee meets monthly, on the second Wednesday of each month and discusses/addresses various topics/items to improve the fiscal health of the Golf Fund. The Committee also reviews a monthly Profit and Loss report for the Golf Fund.

### **Citizen Advisory (“Greens”) Committee**

Like many municipalities that operate golf facilities, the City of Burbank has a Golf Advisory Committee (called the Greens Committee) whose responsibility is to provide advice and counsel designed to improve the overall golf system. The committee includes ten members, drawn from various clubs and associations such as the Burbank Senior Men’s Golf Club, Burbank Men’s Golf Club, Burbank Women’s Golf Club and the “Lady Duffers” Club, along with the Director of Golf, Head Golf Professional, Maintenance Superintendent and food and beverage vendor. The final members include the City’s Deputy Parks and Recreation Director and a member of the City’s Park Board.

The group meets once per month and provides suggestions and/or recommendations to the staff on operations and physical condition of facilities. This committee has no real authority and is strictly an advisory body. Recent examples of advice from the Greens Committee include suggestions on marketing and promotions, recommended adjustments to conditions (improve on-course restroom conditions), reviewing comment cards and preparing for golf tournaments and events.

The NGF consultant did meet with the Greens Committee as part of this consulting effort, and recognizes that the City of Burbank has a great resource in the volunteerism from within this group and other regular users of the golf facilities.

## **INVENTORY OF FACILITIES**

The DeBell GC includes four basic components – 18-hole golf course, 9-hole Par-3 golf course, and clubhouse and practice amenities. The facility is well organized physically, and has a very attractive presentation with nice landscaping and a clubhouse that blends well with the surrounding elements. The NGF review of these components follows in this section.

### **DeBell 18-Hole Golf Course**

The DeBell GC golf course is summarized below. Overall, DeBell Golf Club has the basic layout and amenities to offer a good quality golf experience, although the golf course is significantly shorter in length than other competing facilities in the market and therefore less appealing to certain segments of the golfing population. The basic design featuring tree-lined holes and interesting topography does give DeBell GC design characteristics and features that are unique among its competitive set, thus making up for shorter length and consistent with its target fee level. No significant changes to the layout are recommended as these would likely require a high dollar investment that is not likely to be recovered through increased activity or increased fees.

- Originally built as an 18-hole course on the present site in 1958, remodeled in 1966.
- Designed by William Bell and William H. Johnson, both active golf architects with many designs in Southern California in this period, including Riviera CC, Los Angeles CC, and Torrey Pines GC.
- Par is 71 with four par-5s, five par-3s, and nine par-4s. The layout includes a slightly unusual configuration of consecutive par-3 holes on the front nine (#6 and #7) that can work to slow pace of play.
- The layout features a golf course with returning nines, as each nine holes start and end at the clubhouse. This helps the course in two ways:
  - Convenience for golfers wishing to play only nine holes;
  - Golfers must pass by the clubhouse when going from the 9th hole to the 10th tee. This can be helpful to maximize food and beverage sales, assuming the service is available (clubhouse has a pass-through window for convenience between the 9th and 10th holes, but on 2<sup>nd</sup> level of clubhouse).
- Yardages range from 5,608 from the longest (Blue) tee to 4,946 from the most forward (Red) tee. DeBell GC now offers the traditional three sets of tees, which is one less than the “standard” for modern high-quality golf courses. The multiple tee

positions allow for golfers of different skill levels to play from a total golf course yardage that is comfortable for them.

- The United States Golf Association (USGA) slope and rating data show the relative difficulty of the DeBell GC from the various tees, with a slope of 120 and a rating of 68.3 from the blue tees, and a 123 slope and 72.0 rating from the Red tees. Slope represents a course's difficulty, compared to the "standard" USGA Slope Rating of 113. As can be seen, the Blue tee course at DeBell GC is considered to be about 6% "harder" than the standard, while the White course (slope 116) is only 3% harder and the Red tee courses (Slope = 123 for women) 9% harder.
- The tight configuration of the property resulted in a golf design with several parallel holes with numerous large trees providing separation. The effect of this design is many narrow holes with a narrow area of hole width, within which golfers must place their shots. Thus, the DeBell GC is a much more challenging golf course than its yardage would suggest as many holes require very precise accuracy. In conjunction with the difficulty, the narrowness also can lead to a slower pace of play as golfers are frequently looking for errant golf balls that end up in the wooded areas or barrancas surrounding many of the holes.
- There are approximately 22 bunkers and no water hazards on the golf course, although there are several holes that include steep depressions (barrancas) that can fill with water runoff from the Verdugo Hills. There is also severe elevation, particularly going north from the clubhouse uphill on hole #10 and #11, reaching a peak at the #13 tee. This elevated area makes the DeBell GC a difficult golf course to walk, leading to the expectation of higher-than-average power cart use.
- There are two permanent restrooms on the golf course (one each on the front and back nines). The old snack shop by Hole #17 also has a restroom. This is a significant positive for DeBell as many customers (especially women and seniors) want permanent restrooms, not "port-a-potties."
- The course has some very marketable aesthetics, including outstanding views at the higher elevations (#13 tee especially), and the very attractive fairway corridor on hole #18, in view from both on the hole looking toward the clubhouse, as well as from the clubhouse looking down the 18<sup>th</sup> hole.
- There are two roadway crossings where golfers must cross DeBell Dr. going from #6 to #7 and again after #7 to #8. It appears that DeBell Dr. is not a heavy traffic area and there should be no issues with the road crossing.
- The DeBell golf property includes a widely dispersed parking program with 64 spaces at the driving range, upwards of 60 to 75 "spaces" in street parking on Stough Canyon Ave. north of the clubhouse, up to 24 "spaces" in street parking on Stough Canyon Ave. south of the clubhouse and 39 spaces at the par-3 course. Up the hill, the Castaways has a total of 170 parking spaces, but not fully convenient for the DeBell GC. This level of parking is often insufficient to cover all the demand when multiple events are ongoing simultaneously (i.e. golf event and/or banquet/luncheon).
- Over the past several years, the DeBell golf facility has been upgraded through re-investment in the property. Projects include a tee improvement program, purchase of tee markers and other on-course upgrades, as well as a new audio-visual system for the clubhouse.

## DeBell Golf Course Maintenance Issues

The NGF found the DeBell GC to be in very good condition during the NGF visit. There did not appear to be any large-scale problems or issues with golf course maintenance. As noted, the course is maintained via contract by ValleyCrest Maintenance, and this company is producing an annual plan of maintenance, along with monthly and weekly schedules of activities. Some observations about the maintenance condition of the DeBell GC include:

- **Basics** – The total property of DeBell is 120 (+/-) acres, of which approximately 66 acres are maintained. There are an additional 7 acres for the par-3 course. A summary of the DeBell 18-hole course:
  - 18.5 acres of fairway, mostly Kikuyu grass;
  - 44 acres of rough, a mix of Rye and Kikuyu;
  - 2.5 acres of greens (includes par-3), mix of Poa Annua and Bent;
  - 1.5 acres of tees with a mix of Rye and Bermuda on the newer tees.
- **Irrigation** – the course is irrigated from effluent water purchased from Burbank Water and Power. The cost is high, even when compared to other Southern California municipalities (data from other courses provided in this report). The system is all gravity-fed as there are no pumps on property, but this limits pressure so only eight heads can irrigate at any one time limiting the “window” when the course can be irrigated and this sometimes must occur when golfers are on the course. The irrigation system is older and a mix of several different systems from different eras. There is upgrade needed, but the system appears functional as-is and while a full irrigation system replacement may be required in the next 10 (+/-) years, it is not deemed as an urgent need for DeBell GC, and NGF has included only upgrades to the system in our 5-year capital plan.
- **Drainage** – The drainage characteristics of the golf course appear to be good, as the NGF inspection did occur during a light rain. We recognize that the facility is located on a hillside and drainage characteristics can vary throughout the site. In general, the DeBell maintenance staff did not indicate that standing water was much of a problem on the course and golfers and carts are usually allowed back out on the course shortly after all but the most extreme rain events. There is both natural and some pipe drainage on the course. The barrancas on the golf course can help with drainage but can also fill up with debris from the hills in severe rain events, requiring staff hours to clear up. There are no urgent issues with DeBell GC drainage that need to be included in the 5-year capital plan.
- **Turf** – Overall, the turf condition appeared to be good with only isolated areas of problems, and these were mostly in rough or transition (generally out of play) areas. There were no urgent issues or replacement needs identified by NGF.
- **Tees** – Some tees need improvement in leveling, turf quality, and alignment. Several tees are in areas of shade and do not get enough sunlight to remain healthy. Other tee areas are small and get a high level of use leading to excessive wear. A coordinated program of tee upgrades is ongoing at DeBell GC and should be continued in the next few years.
- **Greens** – Overall the greens are in good condition but the NGF did observe that several of the DeBell Greens were showing signs of stress. Key stressors to the greens at DeBell include excessive shade covering from the numerous trees. Some greens (#2 and #3 for example) get as little as 45 minutes of sunlight most days and

staff has difficulty maintaining the best conditions. The issue is severe enough that the #3 green may need replacement. The NGF has documented that the quality of the greens is the most important feature for golf customers in choosing a place to play. The results of the NGF survey of DeBell golfers noted very little concern among golfers about the condition of the DeBell Greens.

- **Cart Paths and Bridges** – The facility has full wall-to-wall cart paths only on the back nine holes, with several spaces of no cart path on the front nine. Some upgrade to the path system is ongoing at DeBell GC with a pavers base material (less expensive than asphalt or concrete), and continuation of this is recommended by NGF in the 5-year capital plan. Full wall-to-wall cart paths allow the course to be open more often after rain events leading to more revenue. There are a total of three bridges on DeBell that cross the barrancas on the front nine. These all appeared in good condition with no urgent replacement required.
- **Barrancas and Brush** – Much of the DeBell GC includes steep barrancas that must be maintained (as per contract), as well as areas of native underbrush that need to be maintained, although not on a daily basis. These two elements will always require additional labor to maintain and must be considered as alternate plans for golf maintenance are considered.
- **Maintenance Facility and Equipment** – The facility maintenance area dates back to the 1950's, but appeared adequate and possessed all features NGF considers "standard" in golf operations. Some upgrade to the space and modern conveniences would be helpful to this operation. All of the equipment for maintaining the DeBell GC is all owned by ValleyCrest and appeared adequate for the site. When needed, ValleyCrest has the capability to bring in outside equipment from another nearby property if the need arises (advantage for DeBell and the City of Burbank).
- **Other Structures** – The DeBell GC also includes several other structures that are remnants of older facilities no longer in use. These include two key structures between the 17<sup>th</sup> green and the 18<sup>th</sup> tee that were an old snack shop and the former cart storage shed (in use prior to new clubhouse). These buildings are scheduled for a seismic retrofit by the City, although NGF recommends the old cart shed be torn down, rather than retrofitted as it has no functional use.

### Tree Issues at DeBell GC

The dense trees are a defining feature of the DeBell GC, in both aesthetics and functionality. Given the smallish size of the golf course property and the narrowness of some hole corridors, the dense tree cover provides needed separation between holes and protection of golfers from errant shots coming from other holes. ValleyCrest is required to keep a full inventory of all trees on site (as per contract) and their data shows more than 1,300 total trees on property. Key observations about the trees and tree maintenance program at DeBell include:

- The maintenance of trees at DeBell GC adds an additional \$64,000 to the total expense of maintenance at the golf course.
- The contract requires that each one of the 1,300+ trees must be maintained at least once every five years. This program has been helpful in thinning out dangerous branches and identifying unhealthy or dying trees before they fall. This was particularly evident in the recent (November 2011) windstorms that saw far fewer trees fall down at DeBell than other surrounding areas and golf courses.

- When a tree dies or is cut down, a new tree of “like quality” must be added as a replacement on a one-to-one basis, thus maintaining the total volume of trees on property.
- While the trees provide aesthetic and hole separation benefits, there are also problems, including:
  - Trees create more difficulty for the golfers, with tree limbs reducing the space within which a golf shot can be placed. Several holes have reduced tee areas due to excessive tree cover. The survey of golfers conducted by NGF in 2011 showed a level of dissatisfaction with the amount of tree cover at DeBell.
  - The trees create more shade and prevent breezes from helping turf health.
  - The tree roots of larger and older trees can cause problems such as turf stress (hole #3 green), cracking cart paths and disrupting irrigation lines.
  - The falling limbs can sometime be unsafe for golfers.

## Practice Facilities

The golf practice facilities at DeBell include the driving range, practice green and a small practice chipping area just north of the clubhouse to the left of hole #10. The practice green and chipping area, while small, are functional, require no fees for use and are proximate to the clubhouse and 1<sup>st</sup> and 10<sup>th</sup> tees. The driving range at DeBell is located across Stough Canyon Ave., but is still close enough to the clubhouse and 1<sup>st</sup> and 10<sup>th</sup> tees to be convenient for golfers. The range is lighted for night use and the staff reports a large “range-only” contingent of users. Overall, the practice amenities at DeBell tend to be smaller in scope than some of the other competitors, but still very functional for a public golf course. Key issues and findings related to the golf practice amenities include:

### General

- The driving range is approximately 210 yards long and 70 yards wide. There are 21 stations with mat hitting surface. The landing area is narrow and targets are limited. The range is lighted for night use, although some damage to lights occurred in December of 2011 requiring immediate repair.
- The range faces due west, which is the least desirable for a driving range as golfers are looking directly into a late afternoon/evening sun. The range is not covered and is open to the elements, creating some uncomfortable periods of heat and/or precipitation when the range is not used.
- There are a total of 59 (plus 5 handicap) parking spaces at the driving range. This also serves as the primary parking area for the golf course.
- There is insufficient space for continual use of a grass hitting area, but some use of the grass area is possible.
- This size is small, and many golfers are capable of hitting the ball farther than 210 yards leading to a large number of lost balls.
- There is netting on the left (south) side, but not at the back or on the right side of the range, further adding to lost range balls.
- DeBell golf staff estimates approximately \$15,000 per year for about 36,000 new range balls each year (in 6 shipments). Staff also estimates 400-500 balls per month are lost (estimated at \$2,000 per year).



- The range area has its own building with restrooms, ball storage, ball dispensing, vending machines and a small office. The balls are dispensed via self service bill operated machines. The restrooms were not in good condition or upkeep during the NGF inspection.

### Performance and Expense

- Staff indicates that 80% of range use is at night.
- Fees for the range are \$3, \$6, and \$10 for small, medium, and large baskets respectively. Customers can purchase a pre-paid “bulk” deal for \$40, \$75, or \$100, providing \$50, \$100, and \$150 in value respectively.
- Range revenue peaked at over \$300,000 in the early 2000s, reducing to approximately \$235,000 in FY2011.
- The range is not staffed at all hours, with an attendant assigned to range only in the evenings on weekdays and all day weekends. A sign in front of the range building informs customers when “no range attendant is on duty.” The self service nature of the range dispensing system allows for light staff.
- SS GOLF estimates direct costs on the driving range of around \$28,000 to \$30,000 per year, reduced to \$24,000 in FY2011. This includes direct costs for balls, mats, baskets, tees, keys and range picker replacement parts.

### DeBell Par-3

The DeBell GC facility also includes a small par-3 golf course on seven acres south of the 18-hole regulation course and clubhouse. The par-3 course includes nine short holes (all under 60 yards) each with an artificial turf tee area. The layout is such that some of the holes are very close together creating some areas that could be considered dangerous (NGF was informed someone was hit recently). The par-3 course also has a separate entrance, parking, and check-in building that requires staffing for when the par-3 course is open. It was reported to NGF that the DeBell Par-3 course is not part of the deed restriction that exists for the DeBell GC regulation 18-hole property, as noted earlier.

The site is maintained by ValleyCrest as part of the DeBell maintenance agreement (reported to be \$45,600 for FY2012). The maintenance of the site is problematic in that the irrigation system on the par-3 course is not set up for golf, but rather set up more like a passive park. The soil on this site is softer than other areas of the DeBell site and thus drainage is not as good. Overall, the site is not well defined as a golf course and the greens are not pure, as they contain a mix of several grass types.

Data shows the par-3 course is hosting around 20,000 rounds annually with upwards of \$80,000 in green fee revenue (more analysis later in this report). Both rounds and revenue have been on a declining trend in recent years. Juniors and seniors receive a discount with fees as low as \$2.50 per round. The regular fees are \$4.00 weekday and \$6.00 weekend. Direct expense to operate the Par-3 course includes expenses for wages for the group of part-time starters (\$30,000 per year), plus \$5,000 to \$7,000 in additional expenses such as telephone, internet, janitorial and supplies.

## DeBell Golf Clubhouse

The DeBell golf clubhouse is a key aspect of the facility operation, providing for several key functions at the facility including:

- Golf Operations
- Retail / Merchandise Sales
- Food and Beverage service
- Banquets

## Background

The present clubhouse facility at DeBell GC replaces an older clubhouse structure that had dated back to 1970. The building had become inadequate for several reasons, including lack of gathering space, mechanical problems, structural issues, and the lack of cart storage. The program was smaller and less sophisticated, with a light snack bar and small gathering area for golfers after and/or before a round of golf. There was no space to host parties or banquets, nor was there space for hosting meals after larger tournaments. Further, the City was seeking a more modern look to the facility and the opportunity to upgrade the entire City golf facility.

In 2008, the City prepared a plan to replace and upgrade the clubhouse, to be paid for by a combination of accumulated golf enterprise surplus (approximately \$6.0 million) and a loan from the City to the golf fund (approximately \$2.5 million). The original plan called for new elements to be added to the golf program, but no large banquet facilities were included as decision by City Council not to compete with the nearby Castaways (and others) banquet facility. The new clubhouse opened in January 2009 and significant increases in clubhouse revenue have been recorded, although other increases in golf revenue have not yet followed.

## Present Clubhouse Program

As a result of the above-noted history, the DeBell GC clubhouse was completed and opened to the public in January of 2009. The facility has approximately 14,000 square feet of space on two levels with an elevator (as required by ADA). As the clubhouse site has a slight north to south slope, the building is at grade on the lower level on the south end and at grade on the second level at the community room patio (north end). The program elements of the clubhouse include:

- **Restaurant** – The space for the Clubhouse Grill includes high quality wood finishing, open bar area, and seating for up to 86 patrons. The set-up appears and functions in a rather formal structure that is not typically associated with a public golf course, unless another snack bar area is also offered. Sliding glass doors are easily opened for outside seating and service.
- **Bar** – Although part of the restaurant, the bar offers a nice separate presentation with flat screen TVs. This type of bar set-up is usually very popular at golf facilities nationwide.
- **Outdoor seating** – Two separate spaces including large area just off the Clubhouse Grill and off the back entrance from the event room.
- **Community Room** – Small but flexible space with sound-proof glass room divider and large windows overlooking the golf course. Seating capacity of up to 40 patrons, or combined with the Clubhouse Grill (open divider doors) for 126 persons (full indoor maximum).



- **Kitchen** – The kitchen facilities at DeBell GC include cooking equipment typically associated with larger restaurant and banquet operations, indicating the facility is fully capable of hosting both restaurant and banquet operations.
- **Snack Bar Window** – The clubhouse includes a small snack window located on the second level at the entrance to the Grill area and bar. This location may not be ideal in that golfers must come up the stairs for service.
- **Pro Shop** – On the lower level there is space for retail and golf check in. Large window has views of the 10<sup>th</sup> and partial view of the 1<sup>st</sup> tees (important design feature to control play and access). The pro shop has two points of access, a primary access at the south end of the clubhouse and an eastern entrance proximate to the 10<sup>th</sup> tee.
- **Administrative Office** – Two small offices for the Director of Golf and Head Golf Professional, programmed well to cover multiple users and proximate to the pro shop.
- **Restrooms** – Two separate sets of Men's and Ladies' restrooms of adequate size for daily golf service and larger events / banquets are available, on the outside near the pro shop entrance and on the second level for the Clubhouse Grill. The indoor restrooms each include small lounges with bulletin boards for clubs and leagues.
- **Cart Storage** – The lower level of the clubhouse includes storage for the fleet of 80 golf carts, with electric charging facilities.

### NGF Noted Program Deficiencies

The DeBell GC clubhouse presents a very nice complement to the City's golf program, with attractive design features and adaptable space for modest-sized gatherings, including both golf events (tournaments) and non-golf events (banquets and parties). However, in review of this facility the NGF has observed several deficiencies in programming, functionality, and operations as compared to the most successful public golf facility operations, including:

- Despite large space, there is no indoor casual gathering area for golfers to check scores and/or otherwise have a casual gathering after golf, which is very popular in the golf industry. The community room is often used for this purpose.
- No snack-bar operation, although there is a pass through window.
- The community room space is small and not large enough for the largest golf tournaments that can have as many as 70+ players.
- The restaurant (The Clubhouse Grill) appears to be a more formal operation with a fine dining set up and generally more expensive menu. This is generally not consistent with successful public golf facilities that offer a more "sports pub" operation that is popular with golfers. More formal restaurant operations at public golf courses do work, as long as there is some form of snack bar service in another section of the clubhouse.

### DeBell GC Capital Upgrade Considerations

The DeBell Course is an aging facility facing similar issues to other courses of the same era. Typically, courses constructed after the 1950s and before 1995 have undergone infrastructure replacement (irrigation, drainage, etc.). The result are irrigation systems, drainage systems and other components that may need further replacement, or may be ready to be replaced yet again. (See Life Cycle Chart in **Appendix A**).

At DeBell it is our observation that there are components of the golf course that should be evaluated as part of a comprehensive Long Range Plan (LRP). This method is the most efficient and advantageous for the City in order to address areas of the course in a responsible format. It should be noted that a LRP is not a mandate to reinvest, however it does lay groundwork that assists in budgeting, management contract obligations and capital spending. A LRP for DeBell should, at minimum, address the following:

- Irrigation Assessment
- Drainage System Assessment
- Arbor Management (tree health, replacement and shade issues)
- Hardscape Evaluation (paths, steps, etc.)
- Feature Evaluation (bunker drainage, sand, tees, greens, etc.)
- Safety Analysis

Regarding safety, NGF Consulting notes that the layout is very tight and may have areas that should be mitigated as part of eventual feature replacement, tree work or cart path relocation. Such improvement improves the overall golf asset as well as lessening the exposure to liability that may be present in operating an older facility designed when safety measures were more liberal than in present day designs. Ideally a member of the American Society of Golf Course Architects (ASGCA) should be contracted to perform the safety analysis and the LRP work.

The physical improvements recommended for DeBell, presented in order of NGF recommended priority:

1. **Complete a Long Range Plan for the DeBell GC – As outlined above. NGF estimated cost = \$17,500.**
2. **Range Lighting Upgrade-** Complete a plan to upgrade the lighting at the driving range and replace specific lighting structures damaged in December 2011. **NGF estimated cost = \$9,000 for initial engineering and \$25,500 per light fixture for a total cost = \$60,000 for 2 newer light fixtures including all installation and code compliance.**
3. **Continuous Cart Paths –** Complete the continuous cart path system for the golf course by finishing the remaining 40% with a mix of asphalt and crushed pavers to be completed over two years. **NGF estimated cost = \$20 per sf, or roughly \$44,000 for the roughly 2,200 sf to finish project.**
4. **Irrigation Upgrades –** If a full irrigation system replacement is not completed (see below) the City can opt to provide some upgrades to replace the old impact style sprinkler heads with gear driven rotor heads on at least nine of the 18 holes on the regulation course. Providing this upgrade will allow for very specific irrigation practices and serve to save water and money. **NGF estimates approximately \$25,000 to upgrade irrigation heads from older “impact-style” heads.**

**OR**

5. **Irrigation Replacement –**DeBell irrigation is older, a mix of several eras and approaching (or exceeding) its useful life. **NGF Estimated cost = \$950,000 for a new system to be installed at DeBell GC.**
6. **Range Upgrade / Covering –**The DeBell range would benefit greatly from a range covering, something between a canopy and a full structure. **NGF Estimated cost = \$60 per sf for 2,500 sf or \$150,000 for a new range covering system.**

7. **Tree Removal** – The City of Burbank should relax the one-for-one tree replacement policy and allow for some reduction in trees through natural causes. Other specific trees may be removed that are directly affecting the health of greens, and completed in conjunction with the LRP noted above. **NGF estimated cost to be determined.**
8. **Remove Old Cart Barn** – The City should remove/demolish the old cart barn rather than complete the seismic retrofit. **NGF estimated cost = \$10,000.**
9. **Maintenance Area Improvements** – Complete improvements to the maintenance area buildings to add more efficient space for storage and offices. **NGF estimated cost = \$25,000.**
10. **Signage.** The signage for DeBell GC should be improved to the extent that is allowable by County, State, and local guidelines. Ideally, the City should add directional signs with the DeBell Golf Club logo at several key locations, including the I-5 interchange with Burbank Blvd., on existing City signage on and around the City complex on Olive Avenue and the intersection of Walnut Ave. and Sunset Canyon Dr. (improve existing sign). Be sure to note that the golf course is “open to the public.” **NGF estimated cost = \$20,000.**
11. **Bunker Program** - DeBell staff should commit to repair of 3 or 4 bunkers each year until all 22 are upgraded in quality. This should be completed as an ongoing program with an **estimated cost of \$5,000 per year each year.**
12. **Bridge Program** - DeBell staff should commit to repair of bridges at least every other year to ensure decks and guardrails remain sound. This should be completed as an ongoing program with an **estimated cost of \$2,500 every other year.**

### Estimated Cost and Priority of Physical Improvements

The estimated cost to complete the above noted facility improvements, along with a list in order of NGF recommended priority, are detailed in the table below. The estimated costs detailed below do not include any lost revenue due to business disruption that may occur as a result of the upgrades.

DeBell GC Recommended Physical Improvements	
Highest Priority Items (1-5 years)	Highest Estimated Cost
Long Range Plan for Golf Course	\$17,500
Range Lighting Upgrade	\$60,000
Cart Paths (2-Year total)	44,000
Irrigation Upgrades	25,000
Range Covering	150,000
Remove old cart barn	10,000
Maintenance area upgrade	25,000
Signage	20,000
Bunker Program (5-year total)	25,000
Bridge Program (6-year total)	7,500
Tree Removal Program	TBD
<b>Total High Priority</b>	<b>\$384,000*</b>
<b>Alternate Program</b>	
Irrigation system replacement	\$950,000
* Does not include tree program	

## GOLF OPERATIONS

A summary of the NGF review of DeBell golf course operations in areas including staffing, the POS system, cash controls, fees, group activities (leagues, clubs, tournaments), junior golf, lessons, cart operations, pro shop operations, range operations and par-3 operations is covered in the following section.

### Golf Facility Staffing

The DeBell GC includes staffing from each of the three separate contracts as noted above – S&S Golf pro shop operations, Clubhouse Grill, and ValleyCrest maintenance- as outlined below:

#### SS GOLF Pro Shop

The NGF has estimated a total full-time equivalent (FTE) staff of 7.1 positions for SS GOLF, derived from:

- **Director of Golf** – (1.0 FTE) golf facility manager and president of SS GOLF, Inc. Employs and oversees all pro shop employees including:
  - **Head Golf Professional** – (1.0 FTE) key assistant and PGA member. Supervises the golf department, the pro shop, driving range and par-3 course.
  - **Assistant Professionals** – (1.6 FTE) both full-time hourly (no benefits). Two are PGA apprentices. These positions provide pro shop, driving range, and par-3 course administrative support and one serves as tournament manager.
  - **Three Independent Instructors** – Golf teachers (PGA) paid via contract (0.0 FTE).
  - **Player Service Staff** – Handles carts, restrooms, range, par-3 course and player service, staffed by:
    - One Full-Time Hourly (.8 FTE)
    - Nine Part-time (1.5 FTE – includes par-3)
  - **Range Staff** – provide range service (tokens, etc.) weekday evenings and all day Saturday and Sunday. Work in 5-hour shifts. Mostly staffed by seniors. (1.2 FTE).
  - No Volunteers.

#### Clubhouse Grill

The NGF has estimated a total full-time equivalent (FTE) staff of 6.8 positions for the Clubhouse Grill, derived from:

- **Principals** – (2.0 FTE) Lead vendors and business owners. Present on-site 7-days per week. Employs and oversees all restaurant employees including:
  - **Bar Manager** – (1.0 FTE) key assistant that supervises the bar and restaurant.
  - **Line Cook** – One Full-Time Hourly (.8 FTE)
  - **13 PT staff** – Wait, bus, cook staff (2.0 FTE).

## ValleyCrest Maintenance

- **Head Superintendent** – experienced superintendent manages all golf course maintenance operations and is full-time position employed by ValleyCrest (1.0 FTE). Additional maintenance staff includes:
- **Three Maintenance Assistants** – all full-time without specific position descriptions (cover many aspects of the operation – 3.0 FTE).
- **One Mechanic** – full-time position (1.0 FTE).
- **Additional seasonal (part-time) staff:**
  - Ten part-time positions to support maintenance activities (2.0 FTE)
  - Additional temporary employees in golf maintenance (1.0 FTE)
  - Additional support from ValleyCrest corporate and other ValleyCrest facilities in the area (1.0 FTE).

## Golf Industry Norms

The DeBell GC staff size can be compared to golf courses of similar operation (see below) to make comparisons and provide an estimate of what staff would be required for full in-house operation by the City of Burbank. There are no industry standards that can be referenced to determine the appropriate staffing levels for a golf operation. The number of staff needed for a particular golf operation depends on several factors, not the least of which is budget considerations. Personnel costs typically represent the largest single expense item in a golf course operation, as is the case for DeBell GC, although the expense is presently borne by the vendors.

The review of industry norms suggests that the DeBell GC is appropriately staffed, with only the large food and beverage operation showing some excess personnel when compared to the “standard.” This would be expected given the large volume of this business and the presence of two principals on-site 7 days per week. We note that this is a simple number exercise based on 2010 comparative data (most recent available), nor does this review of positions consider the value received, quality of service or actual condition of the golf courses (more later in this section).

U.S. Averages Distribution of Staffing – Full-Time Equivalents (Year-Round Operation)			
	Average Public Golf Course (Municipal + Daily Fee) – Year Round Operation		
	DeBell GC (2011)*	18-H Operation w/ Golf Season is 12 Months	18-H Operation w/ Golf Season less than 10 Months
Golf Maintenance Staff (ValleyCrest)	9.0	10.0	9.0
Pro Shop Staff (SS)	7.1	9.0	7.5
Clubhouse Staff (Clubhouse Grill)	5.8	3.0	2.5
<b>Total FTE</b>	<b>21.9</b>	<b>22.0</b>	<b>19.0</b>
Source: Operating & Financial Performance Profiles of 18-Hole Facilities in the U.S., National Golf Foundation. 12 Mos. indicates year-round operation. *based on combination of pt and ft – volunteers not counted. All staff provided by vendors.			

## Point-of-Sale (POS) and Reservation Systems

Based on the NGF review, it does appear that the Point-of-Sale (POS) and phone reservation systems are working well for DeBell GC. SS GOLF is presently using the *Club Profit Systems* system for Point-of-Sale (POS) at DeBell Golf Course, although the Clubhouse Grill is not on this system. The POS is integrated with the course's tee sheet and allows for on-line booking of tee times for golfers signed up to use the system (no fee for this service). The system also allows for some online purchases of items such as gift certificates and lessons. The department intake sales reports generated by the POS appear to be appropriate for internal and external reporting and management planning. All of the key elements in a golf POS system appear to be present at DeBell, the most important of which is the ability to book tee times online. No change is recommended in golf POS system by NGF. The Clubhouse Grill is on a separate POS system that is not integrated with golf.

## Cash Controls

The City of Burbank appears to have adequate controls in place to protect the financial integrity of the golf operation. Public golf is now primarily a credit card business, with declining reliance on checks or cash. The system in place requires tight controls and trackable logins for access, so management has a record of all who access the cash registers. The golf operation is subject to City forensic audits, with previous such evaluations showing good reports. One issue that did arise from the NGF review is the timing of receipts and deposits. While SS GOLF is recording golf revenue at the time of sale, the funds are not passed on to the City on a fixed timing schedule, causing some variances in record keeping. These variances appear to be minor and the NGF does not recommend any major change in the cash control system of Burbank golf.

## Key Markets Served

As DeBell is operating as a public golf course, the predominance of revenue generated by the facility is derived from green and cart fees, plus additional revenue from ancillary amenities such as the driving range, and food and beverage. With its position as a Burbank municipal golf course, it appears that the vast majority of the play at this facility is derived from Burbank area residents. Considering the density of cities, towns, and communities in the north-of-Los Angeles suburbs, this finding is not surprising. Staff has estimated a resident / non-resident split of about 50% each, and senior play is estimated at 30%. Overall, play has declined in the last few years and non-resident play has declined the most. The leagues and clubs at DeBell are also smaller than in past years. Among growth areas noted by staff are 20 to 30-year olds and Asian golfers (especially Korean). Given its location, operators of the DeBell Golf Club will always have the ability to generate golf activity from outside the local market area by attracting tournaments and outings to the facility.

## Leagues and Clubs

Golf clubs and leagues represent a large part of business for the DeBell GC and are a great source of income for any public golf course. Clubs and leagues can be a great source of play for facilities like this as they represent a strong and loyal core of customers, willing to support operations even when other sources are reduced (poor weather, bad economy, changes in operation, etc.). These clubs also produce a large share of the pro shop revenue, through direct purchases and using gift certificates in the pro shop as prizes, and the clubs are well organized and coordinated with the pro shop.



The league and club rounds are typically played on weekdays when other demand is reduced, thus providing a potentially strong revenue boost for public golf courses. The NGF can go as far as to say that any public golf operation that is **NOT** active in leagues will have a severe disadvantage in producing needed revenue. Leagues and clubs at DeBell GC include:

- **Burbank Senior Men's Golf Club** – This club includes 160 members and plays the first Thursday of every month in an 18-hole shotgun.
- **Burbank Men's Golf Club** – The Men's club includes upwards of 170 players in 2011. This club offers weekly competition with some type of larger event on the third Saturday of every month (8:00 AM).
- **Burbank Ladies' Golf Club** – This club is a much smaller group and less organized than the Men's club. There are 40 to 50 active members an 18-hole or 9-hole Ladies club that plays once per week on Tuesdays.
- **"Lady Duffers" League** – This club also includes 45 (+/-) players for a group of block tee times on Mondays.
- **Additional Leagues** – DeBell also hosts a few other smaller leagues such as Nestle Golf and the Senior Aerospace leagues.

Overall, the club and league program at DeBell GC is healthy for the system and should be continued and better promoted to grow the existing leagues, as well as develop new leagues.

## Outings and Tournaments

Another form of group play that can be particularly lucrative for public golf courses is the large outing and/or tournament, especially charity tournaments. These tournaments and other events are a proven method for stimulating interest and maximizing activity at public golf courses, and help to expose the facility to new golfers who may not be familiar with the property. DeBell appears to be an ideal venue for these types of events for many reasons, including the unique and challenging golf course, setting, clubhouse and accommodating staff.

DeBell has an outstanding tournament program with a Tournament Director position on staff and a high quality program with organization and prize funds. Staff reports tournament business is very competitive and that pricing must be flexible. SS GOLF shows direct expenses for tournaments of over \$4,000 per year, accounting for the cost of trophies and other materials for related DeBell Hosted Events.

One area of concern that NGF noted was that the present system requires tournament prospects to have two separate negotiations, one with the pro shop and one for food and beverage. This is not ideal on its face and concerns were expressed to NGF about the Clubhouse Grill being less than accommodating to tournaments (more later in F & B discussion). In the last year, the Clubhouse Grill and SS GOLF have established a "standard" tournament menu that ranges from a \$5 voucher toward F & B to a \$25 per person package (BBQ Chicken). Other packages are between \$15 and \$18 per person. As many golf tournaments are conducted to raise money for charity, it is hoped that a lower priced menu option (under \$10) could be established, as these are generally the most successful at public golf courses.

NGF review of the DeBell calendar shows eight large tournaments in 2011, including the Mayor's Cup, Burbank Chamber events, Rally for the Cure and the DeBell Desert Classic. There are also a number of other smaller "outings" listed almost every month all year round. It is

clear that this is a key aspect of the DeBell GC business and the most significant opportunity for growth in golf rounds and green/cart fee revenue at the DeBell 18-hole course.

## Junior Golf

Junior golf is clearly a large part of the overall Burbank City golf program, with all elements of the program (range, par-3 course, lessons and 18-hole course) experiencing demand from younger golfers. These juniors are also important because they represent the future of the Burbank golf program. Juniors are allowed lessons at a discount and there are many group and camp programs for junior golfers. DeBell GC has a policy of allowing juniors to play for free when accompanied by a full-paying adult, Monday – Friday if space is available. DeBell GC is also the host facility for four high school golf teams, including Burbank High School, John Burroughs High School and others. These rounds are provided at no charge to the golfers.

## Lessons and Programs

The DeBell Golf Club is active in promoting lessons and programs, including an active Junior Program, in an effort to drive new business to the facility. This is highly important for the future of this facility, as the current customer profile tends to be older, and new younger players are needed for the future.

Professional golf instruction is available seven days a week, all coordinated by the DeBell Director of Instruction. There are two other teaching professions on staff and all other golf staff is involved. Lessons have become a sizable business at DeBell GC, with over \$90,000 earned in FY2010, falling to \$75,000 in FY2011. Private lessons start at \$45 for ½ hour (\$225 for series of 6) and \$80 per hour (\$400 for series of 6). Juniors are \$35 per ½ hour (\$175 for series of 6). Group lessons are common and frequent and start at \$125 per student.

The facilities in the DeBell Golf Club are ideal for an active lesson and teaching program, including the 18-hole course, driving range and DeBell Par-3.

## Golf Cart Operations

The City of Burbank is responsible for operating and maintaining a fleet of 80 *EZ-GO* electric golf carts, as is appropriate and customary at municipal golf courses. At present, the City is leasing the carts on a 4-year agreement that began in April 2011. The new lease was established at four years after a previous lease of five years caused some problems in cart performance (more below). The City has also entered into an agreement for maintenance of the carts from a private cart maintenance company. The NGF typically recommends a minimum of 60 carts for an 18-hole golf operation, although a facility with severe topography like DeBell will need a higher number. Data shows the total cart usage at DeBell is approximately 74% over the last two years.

Electric carts are generally less expensive to operate (both for the cost of gasoline and the ease of cart maintenance), and electric carts generally are preferred by golfers as they are quieter and do not have the exhaust fumes. However, electric cart fleets require appropriate storage facilities to allow for re-charging batteries each evening (present at DeBell) and batteries are usually expected to last four years or around 1,200 total rounds of golf. As DeBell is open year-round, it is possible that any one cart can be used more than 1,200 rounds, so a good rotation system will be required.



## Cart Agreements

The City has two agreements in place for cart operations at DeBell GC – the primary cart lease and the contract to maintain the carts:

- **Cart Lease** – With EZ-GO, key aspects:
  - 48-month lease with purchase option.
  - Cost is \$66.80 per cart per month plus tax, or \$70,377 per year for 80 carts.
  - A single beverage cart is included at \$3,949 per year.
  - Carts have four year warranty, including batteries (max 1,200 rounds).
- **Cart Maintenance** – With D & D Golf Cars, Inc., key aspects:
  - Full service and maintenance of cart fleet, including tires, batteries, chargers, brakes, lubrication.
  - Began January 2009.
  - Cost is \$15,360 per year, plus \$50 per hour for labor.
  - Totals have been between \$50,000 and \$60,000 from 2010 to 2011, but are expected to be reduced to \$25,000 in FY2012 with a new cart lease beginning in April 2011.

These agreements represent a total cart expense of \$1,192 per cart per year, including maintenance. This amount is slightly elevated from the “standard” of \$1,100 per cart per year (including maintenance), but reflects a higher “standard” expense in Southern California.

## Recent Issues

The NGF understands that DeBell GC had problems with its cart fleet at the end of the last cart lease, when cart batteries were failing and leaving golfers stranded on the golf course. This problem was noted extensively in the NGF survey of DeBell golfers (presented later in this report), and may have contributed (in part) to lower rounds activity and perhaps some permanently lost customers.

## Pro Shop Operations

DeBell Golf Course has a nicely appointed pro shop of about 1,800 square feet. The shop is well appointed with wood fixtures and shelving and the atmosphere encourages purchasing. The facility was awarded a “Merchandiser of the Year” award in 2009. Beginning with the addition of the new clubhouse, the golf staff has made a concerted effort to increase revenue in this area of the business. First, there has been a shift in the type of items offered moving away from equipment to more soft goods and apparel (typically higher margin). Second, the total inventory on hand is higher than in the old clubhouse, increasing from around \$30,000 to \$40,000 up to \$70,000 in 2011. Among the key areas used to increase sales in the pro shop:

- The inclusion of a \$5 fee added to tournament packages for “pro shop credit,” usually used for prizes; and
- The inclusion of demo days to increase sales. Staff reported one demo day in May 2011 produced total gross sales of over \$9,000.
- DeBell GC is maintaining an online store that is just beginning to offer merchandise.
- DeBell GC sells gift cards that can be used for pro shop purchases.

Overall, the DeBell pro shop appears to be run efficiently with adherence to key issues the NGF will typically include in our pro shop recommendations:

- Including “sale” racks and tables to promote items on sale, and rotating through various merchandise to place on sale, not just the “rejects.”
- Doing a large business in “impulse” items related to golf activity (gloves, balls, etc.).
- Designing an attractive golf logo and attaching it to all sorts of merchandise.
- Hosting “demo days” with equipment manufacturers to promote golf clubs to golfers.

The national “standard” for pro shop revenue is \$2.32 for “mid-fee” public courses (see **Appendix B**), an amount not consistent with the Burbank market and much lower than the \$3.70 to \$3.80 per round earned at DeBell GC. Cost of sales was lower in 2011 than the industry standard of 74%, reflecting the shift to higher margin items. The cost of sales in 2010 is overstated due to 100% Acquisition of new inventory for the new Pro Shop. A summary of the DeBell GC pro shop operation for 2010-2011 is shown below.

<b>DeBell Pro Shop Revenue and Cost of Sales – 2010-2011</b>		
<b>Revenue</b>	<b>FY2010</b>	<b>FY2011</b>
Total DeBell Pro Shop Revenue	\$208,721	\$197,929
Direct Cost of Sales	\$157,851	\$127,400
<b>Pro Shop Gross Margin</b>	<b>\$50,870</b>	<b>\$70,529</b>
Direct Cost of Sales %	75.6%	64.4%
<b>Pro Shop Revenue per Round</b>	<b>\$3.70</b>	<b>\$3.84</b>
Source: SS GOLF and the City of Burbank		

## Driving Range Operations

The DeBell Driving range is operated by SS GOLF in an efficient manner with limited staff and direct expenses for the cost for balls, mats, baskets, tees, keys, and range picker replacement parts. Full analysis of the range operation is not possible given the staff expense has not been specifically separated from the overall golf operation, and the other large expense on the range, electric power, is covered by the City. Still, a gross margin analysis shows:

<b>DeBell Driving Range Revenue and Cost of Sales – 2010-2011</b>		
<b>Revenue</b>	<b>FY2010</b>	<b>FY2011</b>
Total DeBell Range Revenue	\$234,753	\$238,787
Direct Cost of Sales	\$33,989	\$23,036
<b>Range Gross Margin</b>	<b>\$200,764</b>	<b>\$215,751</b>
Direct Cost of Sales %	14.5%	9.6%
<b>Range Revenue per Round</b>	<b>\$4.16</b>	<b>\$4.63</b>
Source: SS GOLF Management and the City of Burbank		

## Par-3 Operations

Data shows the par-3 course is hosting around 20,000 rounds annually with upwards of \$80,000 in green fee revenue, declining to \$75,000 in 2011. The operation requires maintenance from ValleyCrest and operational support from SS GOLF Management. These two expense requirements total over \$84,000 in each of the last two years, excluding any cost allocation for management and oversight. A summary of the par-3 operation:

<b>DeBell Par-3 Revenue and Expense – 2010-2011</b>		
<b>Revenue</b>	<b>FY2010</b>	<b>FY2011</b>
Total DeBell Par-3 Revenue	\$84,146	\$75,799
Par-3 Maintenance (ValleyCrest)	\$48,033	\$48,518
Par -3 Operations (SS GOLF)	\$36,769	\$36,667
<b>Net Par-3 Income (Loss)</b>	<b>(\$656)</b>	<b>(\$9,386)</b>
<b>Par-3 Revenue per Par-3 Round</b>	<b>\$4.07</b>	<b>\$3.99</b>
Source: SS GOLF Management and the City of Burbank		

## Burbank Golf Fee Structure

The table that follows displays the present fee structure for DeBell Golf Course. The present fees reflect a large 8.7% across-the-board increase in fees in July 2009 and another 3.0% increase in July 2010. Later in this report, the NGF team will offer insights into how this structure fits in with the product offering and the local market, as well as provide a recommendation for any changes to the fee structure. The NGF has observed that DeBell staff has been active in the use of tee-time wholesalers like *GolfNow.com*. These groups provide a service to sell tee times for golf courses at a discount to the public. The advantage to DeBell of using this service would be the sale of additional tee times, while the disadvantage is a third party is discounting these tee times without DeBell's control. It is appropriate for golf courses like DeBell to resist this service in an effort to retain control of the facility's pricing and provide some limits to third parties from discounting City services.

<b>DeBell GC Fee Table-2011</b>	
<b>Weekend / Holiday</b>	
18 Hole Non Res.	\$36.00
18 Hole Res.	\$27.00
9 Hole/TW Non Res.	\$21.00
9 Hole/TW Res.	\$16.00
SuperTwilight	\$12.00
<b>Weekday</b>	
18 Hole Non Res.	\$31.00
18 Hole Res.	\$22.00
9 Hole/TW Non Res.	\$14.00
9 Hole/TW Res.	\$19.00
18 H Non-Res. Senior	\$20.00
18 H Resident Senior	\$14.00
9 H/TW Non Res. Senior	\$12.00
9 H/TW Res. Senior	\$10.00
Junior	\$8.00
Resident Junior	\$0.00
SuperTwilight	\$10.00
<b>Other Charges</b>	
18-Hole Cart	\$14.00
9-Hole Cart	\$10.00
<b>Par-3 Course</b>	
Burbank Junior	\$0.00
Non-Resident Junior	\$2.50
Senior	\$2.50
Weekday	\$4.00
Weekend	\$6.00

## DEBELL GOLF MARKETING

Marketing for the DeBell Golf Club is handled by the senior golf staff with little support from the City administration. The marketing program is quite extensive and includes several elements that NGF will typically find at successful public golf courses. Key areas of focus in DeBell Golf Club marketing include website, print, e-mail messaging, social media, and other efforts.

Review of S&S Golf operating data shows direct expenditures for advertising budgeted to be \$10,000, plus an addition \$1,100 for printing costs (reduced from \$4,000 2 years ago). This total represents approximately 1.3% of total SS GOLF revenues, and less than 1/10<sup>th</sup> of 1% of total facility revenue. The food and beverage vendor is also contributing approximately \$2,000 in additional marketing for the Clubhouse Grill (more in F & B discussion). NGF typically recommends total marketing (advertising and communications) expense to be at least 2% of total gross revenue, or approximately \$17,300 based on 2011 actual SS GOLF revenue, \$15,000 for the Clubhouse Grill and a grand total of \$56,000 when considering the total gross revenue from all sources of the DeBell GC facility. It appears that the Burbank golf system will

have to become more aggressive in marketing the facilities, including the City of Burbank, SS GOLF, and the Clubhouse Grill.

In review of the marketing and communication program for DeBell Golf Club, it appears that the City is getting excellent value for the money spent by SS GOLF on advertising, as the golf operations team is focusing on marketing resources that tend to provide strong value for the money spent (i.e. electronic marketing, Website, email, etc.).

## Website

It is clear that in 2011 and the foreseeable future, the Internet is the most significant piece of golf course marketing. The Internet is having a larger and larger impact on golf as time goes on. Golfers, especially when traveling, are using the Web more and more to find places to play. As such, the Internet is now the most important single element in a golf facility's marketing, and DeBell Golf Club appears to recognize this reality. NGF studies show that upwards of 90% of all golfers view web content on a regular basis. The Web has several key advantages over other forms of advertising:

- **Cost.** A Website is relatively inexpensive to set up and maintain.
- **Reach.** As the name "World Wide Web" indicates, the Internet is international in scope. Today, almost every household that contains a golfer will have access to the Internet.
- **Information.** The amount of information that can be put on the Web is virtually unlimited. At the very least, clear directions and contact information can be used to dramatically increase impact.

The NGF has viewed the DeBell Golf Club website ([www.debellgolf.com](http://www.debellgolf.com)) and finds the site is presently active and contains appropriate information about DeBell GC. The site has a consistent theme, promotes the facility and DeBell logo that is clearly identifiable and forms the core of all marketing. This consistent appearance is a definite plus for golf course marketing.

Of course, for a Website to be effective, people have to be able to find it. The site is linked to the City's website, although it is not obvious on the City's pagers. It is also beneficial for golf course Websites to be designed so that today's Web search engines will find it based on key terms people are likely to use. In reviewing search engines such as *Google* and *Yahoo*, NGF found that the above-noted varies in search engine activity, such as:

- "Golf Los Angeles" – DeBell GC did not appear on the first several pages.
- "Golf North Los Angeles" – DeBell GC did not appear on the first several pages.
- "Golf Burbank" – DeBell GC was the first listing.
- "Banquet Space Los Angeles" – DeBell GC did not appear on first several pages.
- "Banquet Space Burbank" – DeBell Golf Club did not appear on first several pages, but the Castaways was on Page 1.

## Website Features

The DeBell Website appears to the NGF to be very effective, easy to navigate and includes most of the key aspects typically associated with higher quality golf facility sites. NGF identified the most important features of a golf Website should include:

- Maps with locations and directions (DeBell GC – no and this is a critical issue as DeBell is not easy to find if you don't know it)
- Ability to book tee-times online (DeBell GC– yes and very important in 2011 golf)
- Pictures and verbal descriptions of the facility (DeBell GC – no pictures of the golf course)
- A full scorecard and layout map (DeBell GC - yes).
- Process to sign up for email (e-club) program – this is a key program in the golf industry in 2011 as a way of staying in touch with golf customers (DeBell GC – yes)
- Current rates and operating hours (DeBell GC– yes)
- Specials (DeBell GC– yes)
- Amenities offered (DeBell GC – yes)
- A calendar or news of tournaments and upcoming events (DeBell GC – yes)

It is essential that the Website be kept current for rates, hours, etc. The best sites are the ones that are constantly being updated with new promotions and news items, so that customers get in the habit of checking them. An NGF review of other related communication efforts includes:

## E-mail Marketing

The creation and utilization of e-mail databases are essential in today's golf marketplace as a means of staying in touch with the facility's customer base. SS GOLF has created and is utilizing an updated database of e-mail addresses (reported 9,500 active email addresses), providing regular email messages via *Course Trends* through the debellgolf.com website. These messages also have the same look and feel of other DeBell Golf Club communications, stressing the consistency noted before. These messages are focused on specific events, which are shown to be the most effective in golf course e-mail marketing. E-mails can be captured via participation in the online tee time program, through the sign up on the internet and from customers via a sign-up sheet at the pro shop, with a notice that people on the e-mail list will receive notice of special promotions.

## Printed Advertising and Promotions

The DeBell Golf Club has used its limited budget effectively, showing several printed advertising and promotional pieces utilized in 2010 and 2011. The ads all had a similar feel and all used a consistent theme with picture of the clubhouse and DeBell Golf Club logo.

## Social Media

The DeBell Golf Club has a *Facebook* page (DeBell Golf Club) with 275 "likes." Marketing golf courses in 2011 and beyond has to be about reaching potential golf customers where they are, and if they are on the Internet and *Facebook*, then that is where DeBell Golf Club has to be as well. Golf course *Facebook* and/or *Twitter* pages have become common in golf course marketing with mixed results. On one hand it is a great way of keeping your facility "top of mind" to your customers, but this form of marketing also requires effort to continuously post new items and stay current and up to date. Social media works best when posts are about what is going on at the course, such as tournaments, events, who won what event, who got a hole-in-one, etc.

## Other Marketing Efforts

DeBell staff is also conducting other marketing efforts, including:

- **“Groupon”**– DeBell has been active with the Groupon discounter and reported having sold 1,700 packages of 2-golfer and 4-golfer deals with up to a 75% discount. These rounds are played at slower demand times making a positive impact on revenue earned.
- **Gift Cards** – The DeBell Golf Club has been active in promoting its gift card program, both online and with the recent addition into *Costco* stores. The \$75 gift cards are sold to Costco for \$64.50.
- **Posters and Flyers** – DeBell Golf Club can print high-quality flyers and small posters in-house, mostly to promote specific events, leagues, specials, and/or the Gift Cards.
- **Comment Cards** – Each DeBell scorecard has a comment card that is reviewed by DeBell staff and Greens Committee members on a regular basis.

## NGF Commentary on DeBell Marketing

The NGF review of DeBell marketing shows a program that is covering all of the bases typically recommended by NGF for public golf operations. The NGF review of the DeBell marketing program shows the SS GOLF staff is placing emphasis in the most appropriate areas that NGF industry research has shown can provide the most direct impact on a high quality public golf operation. It also appears that the facility is getting excellent value for the money spent. Website and direct e-mail marketing have been shown to be the most effective marketing at golf courses nationwide. The NGF has estimated that upwards of 90% of all golfers get information about golf courses they are considering for play from the Internet. Other key items to consider:

- **Trackable** – The most effective advertising activities are ones that can be tracked, showing effectiveness.
- **Labor Intense** – Social media marketing is growing in golf and should be used to communicate with golfers who are NOT presently customers and drive them to learn more about a property. Existing DeBell customers should be communicated to via e-mail. Posting in social media is time consuming and should be evaluated to gauge effectiveness.
- **‘Active’ vs. ‘Passive’ Marketing** – The SS GOLF staff has been more passive than active, especially when it comes to selling tournaments and outings. The most successful public golf operations are more aggressive in directly marketing and selling events to local targets such as large corporations, chambers of commerce, and charitable organizations, and include printed materials (rack cards) in area hotels and other visitor locations.
- **Print Is Not Dead** – Although various forms of print media are less popular with golf facilities in the Internet age, this area of golf marketing is not totally dead. Print media can help raise brand awareness and promote the image of DeBell Golf Club, even if at a quick glance or to drive prospects to the Website for more information. Magazine ads and rack brochures are still effective in the Los Angeles market and should be included in the facility’s marketing plan. The City may want to consider advertising in foreign language newspapers (Korean, Spanish, etc.) to reach a new customer base.



Historically, the DeBell GC was not heavily marketed. With the recent declines in business, SS GOLF has become more aggressive in an attempt to drive business onto the golf course. This is expected to produce better operating results in rounds and total facility revenue.

## **REVIEW OF FOOD AND BEVERAGE OPERATION**

The food and beverage service at DeBell Golf Club is provided via contract with a vendor named R & M Concessions and doing business as The Clubhouse Grill at DeBell Golf Club. The food and beverage service can be a vital component to the overall success of a public golf course, both through direct revenue earned and also the level of service provided to golfers. Thus a poor food and beverage operation can also have a negative impact on the level of rounds played and total green and cart fee revenue.

NGF has reviewed the food and beverage operation at DeBell Golf Club and found a very high quality restaurant and banquet operation that may not be the best fit for the facility, as many golfers and DeBell GC staff had indicated concerns. It is clear that the food and beverage operation in place at DeBell Golf Club today is a drastic change from the older operation in the old clubhouse building, even though the vendor is the same. This should be expected, given the considerable upgrade in clubhouse facilities made at this property in 2009. Still, it does appear to NGF that what DeBell Golf Club has now is a good quality restaurant that happens to be located at a golf course, rather than an appropriate golf course food and beverage concession. The NGF review of DeBell GC food and beverage agreement follows in this section, with a discussion of the basic structure of the operation, the services offered, and a commentary on the service at DeBell GC.

### **Basic Operation**

As noted, the food and beverage operation at DeBell is provided via contract that pays the City of Burbank 10% of all food and (non-alcoholic) beverage revenue, 12% of alcohol, 3% of total (capital fund) and 50% of the beverage cart lease. The food and beverage operation at DeBell Golf Club consists of four areas: (1) The Clubhouse Grill and Bar; (2) the snack window for outside service; (3) beverage cart service; and (4) the full-service banquet facilities.

#### **The Clubhouse Grill and Bar**

Clubhouse Grill offers both a full-service restaurant as well as bar with full liquor service. The basic set-up of Clubhouse Grill includes the restaurant / lounge area with seating for a maximum of 85 (+/-), plus the outside patio, capable of seating a total of 30 patrons. There is a front bar area with seating for 12. The facility also includes a kitchen, storage (including cold storage), and a small catering office. The facility is operated as a full service restaurant, advertising breakfast, lunch, and dinner. NGF observations include:

- The Clubhouse Grill includes a full breakfast menu with sandwiches from \$6.75 and other meals from \$8.95. Other starters and sides start at \$2.95 and drinks are \$2 to \$2.75.
- The lunch and dinner menu has appetizers (\$5 to \$12), salads (\$9 to \$11), Burgers (\$8 to \$10), and sandwiches/wraps (\$8 to \$10) with soft drinks at \$2.50 and beers at \$3.75 (domestic) and \$4.50 (imported).
- The bar includes seating for 12 and has two flat screen TVs, usually tuned to sports channels.

- The restaurant features large windows with nice views of the golf course, especially hole #18.
- Outside seating is convenient and appropriately serviced.

The Clubhouse Grill has developed into a relaxed, family-oriented food service operation with a focus on restaurant service, as well as service to golfers. The overall ambience is that of a fine dining establishment with full tableside service meals prepared to order. As such, service may be slow at times as was experienced during the NGF visit (more than 15-20 minutes for meal service).

### **Banquet Operations**

In addition, the Clubhouse Grill is available to cater any type of party or gathering at the facility, including golf events as well as separate non-golf events such as luncheons and weddings, etc. The DeBell Golf Club clubhouse features two dining/seating areas with seating up to 120 guests, plus the outside deck. The Community room can seat up to 40 patrons for smaller meetings, luncheons, and parties.

The banquet operations at DeBell Golf Club include the service of non-golf events such as weddings, etc., as well as serving golf events and tournaments. Fees and charges for these services are varied and based on direct negotiation with the Clubhouse Grill senior staff, although the basic restaurant menu does apply for events as well. The banquet menu at the Clubhouse Grill includes many options, with buffets from \$23 to \$32 per person, and plated banquets from \$16 to \$20.

Many of the golf events are of a smaller nature (under 60 patrons) and involve the Men's club or other in-house organization that are often seeking much lower prices and a lower level of service. In the last year, the Clubhouse Grill and SS GOLF have established a "standard" tournament menu that ranges from a \$5 voucher toward F & B to a \$25 per person package (BBQ Chicken). Other packages are between \$15 and \$18 per person. As many golf tournaments are conducted to raise money for charity, it is hoped that a lower priced menu option (under \$10) could be established, as these are generally the most successful at public golf courses.

### **Snack Window/Beverage Cart**

In addition to the restaurant, Clubhouse Grill is serving golfers with a snack window food and beverage service. The snack window is located at the south end of the clubhouse and is on the second level, making it less convenient for golfers between the 9<sup>th</sup> and 10<sup>th</sup> holes. The turn station has a similar menu with a few lower priced items like sandwiches from \$5.50 and hot dogs from \$3.50. There is a telephone hookup on the 8<sup>th</sup> hole to allow golfers to call in orders ahead of time for ease of service.

The course is also operating on-course food and beverage service via a beverage cart, which offers a menu similar to the snack window, but focused mostly on beverages. Contract terms require the operation of the beverage cart from 10 am to 6 pm Fri-Sun, and 10 am to 5 pm Mon – Thu. Several DeBell Golf Club golfers and staff noted to NGF the inconsistency of the beverage cart operation. While a beverage cart is often not profitable in its own right, it is a level of service that is expected by golfers and thus an important component of the experience and plays a role in selecting where to play. Thus, like the rest of the operation, the beverage cart can have impact on total facility rounds and green/cart fee revenue.

## **Working Relationship – DeBell Golf Club and Clubhouse Grill**

The relationship between the DeBell Golf Club golf staff and food service vendor Clubhouse Grill has been a generally positive one, with a few complaints noted to NGF by golfers and golf staff. During the course of the NGF Consulting engagement, we have observed that there were a few areas where there may be some disconnect that should be brought out in to the open, with some added insight from NGF. A summary of issues is presented below:

### **Concerns of DeBell Golf Club Golf Staff**

Among the concerns noted to the consultants by DeBell Golf Club golf staff about The Clubhouse Grill operation (in no particular order):

- The DeBell Golf Club has a restaurant and not a snack bar.
- Organizing tournaments is more difficult with Clubhouse Grill. The menu had not been standardized (improved in 2011), and every negotiation was different. Staff believes events have been lost due to this process and negotiation with Clubhouse Grill.
- High prices for food and beverage have hurt the golf business.
- The F & B operator has experienced the greatest benefit from the new clubhouse.
- In the last year, the Clubhouse Grill vendor has become more flexible and is working better with golf staff to improve food and beverage service.

### **Concerns of DeBell Golf Club Golfers**

Among the concerns noted to the NGF consultant from club representatives and our golfer survey program (presented later in this report) about the food and beverage operation by golfers include (in no particular order):

- The atmosphere is too “fine dining” and not casual enough for after golf with “dirty shoes and sweaty hats.”
- The value of food service is not favorable when the overall price of items is considered. Prices are too high for golfers.
- Groups of golfers will frequently go elsewhere after a round of golf for food and beverage service.
- There is no schedule or consistency with beverage cart.
- Service is inconsistent and generally too slow to consume anything between the 9<sup>th</sup> and 10<sup>th</sup> holes.
- The snack window is not always staffed and the wait for service is often too long.
- Clubhouse Grill’ staff is not knowledgeable about golf and is not attentive to the needs of the golfers and too focused on its restaurant and banquet business.

## **Marketing**

The Clubhouse Grill has been doing very little to market the facility, other than a page on the DeBellgolf.com website and creating some of its own printed materials for the restaurant and banquet service. Clubhouse Grill principals did share with NGF a 2011-2013 marketing plan, although this plan did not specify a budget or strategy to grow the business, but rather was focused on identifying various constituencies and displaying some specific printed materials. Clubhouse Grill did participate in an overall DeBell promotional push by offering 10% off food and beverage coupons. Clubhouse Grill is not actively promoting the banquet services that are available at DeBell Golf Club on the Website, although banquet pricing information is present.

## NGF Summary and Commentary of DeBell Golf Club Food and Beverage Service

In summary, NGF Consulting can see that there is some disconnect between what the City and DeBell staff want and need with food & beverage at DeBell Golf Club and what Clubhouse Grill is providing. In reviewing the operation, the NGF has observed that The Clubhouse Grill is a very good quality operation that appears to be doing well in terms of total revenue (likely close to \$800,000 annually). NGF cannot stress enough the importance of serving the needs of golfers as a means for success for both the vendor and the golf facility.

One issue to note is that given the structure of the present contract, the City does not stand to earn large income even if the Clubhouse Grill business is improved and is wildly successful. However, the NGF must note that the downside for the City is real in that rounds of golf and green/cart fee revenue could be diminished, especially with tournaments, if the food and beverage operation is not the right match. Our review of other municipal golf courses in the area (presented later) suggests that this operation is missing a key segment in public golf facility service – the needs of the golfers.

Other observations of NGF in comparison to our market review and understanding of basic golf industry norms and standards:

- The DeBell Golf Club has a fine clubhouse presentation that is attractive and potentially very functional. However, what is missing from the program is any kind of indoor casual gathering space for golfers before or after golf.
- The City's share of revenue is consistent with industry expectations. The "standard" for municipal golf courses nationwide is for concession payment to the municipality of 10% of gross revenues.
- The beverage cart is not about profitability but service to golfers. The beverage cart programs that work best are those set with standards of practice, including a schedule that mandates service when a certain minimum number of groups are on the course, irrespective of any other issue (staff, weather, profits, etc.).
- In general, all food and beverage service stations should be open and staffed if the golf course is open – dawn to dusk. If the golf course is open and players are on the course, the snack window should be staffed.
- The most successful food and beverage operations at public golf courses are those that offer simple, quick, and inexpensive service that is convenient to the round of golf, and is in alignment with the golf operation. The customer doesn't view the operations as being separate; it is all one level of service to them and ultimately reflects on the City.
- Successful public golf courses typically will have a "standard" menu of items for tournaments and outings, both in choices for golf and for food and beverage. These choices should include some form of low-priced (under \$10) "box" lunch service.
- Our review of the Clubhouse Grill in comparison to other competing facilities shows that quality and pricing are generally higher at DeBell, although facilities like Hansen Dam, Brookside, and Knollwood have larger banquet facilities. There are some other lower-level food and beverage operations in place at municipal golf courses in the Los Angeles area (Griffith Park for example) and prices at those facilities tend to be much lower than Clubhouse Grill.

- In **Appendix C**, NGF presents a basic review of golfer expectations of food and beverage operations at middle to better quality golf courses from our reviews nationwide.

## CITY OF BURBANK GOLFER SURVEY

NGF's Golfer Survey Program was distributed seeking opinions of the DeBell GC. A total of **669 surveys** were collected by NGF, with 41% coming from non-residents of Burbank, 31% coming from Burbank resident-card holders, 11% from club members, and the remaining from a mix of various groups of players. The surveys have been used to gain insight into how some users feel about the facility and its place in the market. The survey is not intended to be a scientific study of Burbank golfers, although the high participation does give the results a high degree of confidence. A copy of the survey instrument is displayed in **Appendix D** to this report. The general findings and a table showing the ratings follow below:

### DeBell GC Survey Scores

<b>DeBell Golf Club - Satisfaction Measures 669 Responses (10/27/2011 – 11/30/2011)</b>		
<b>Factor</b>	<b>Average Score (Scale 1-10)</b>	<b>Percentile*</b>
Overall Customer Satisfaction	7.8	26
Satisfaction compared to expectations	7.8	43
Satisfaction compared to other courses	7.7	54
Likelihood to play more	6.3	N/A
Likelihood to recommend	7.7	19
* Measured on a scale of 0 to 100, this number represents the percent of golf facilities that received lower customer ratings on this measure than the subject facility compared to other golf courses in U.S.		

<b>DeBell Golf Club - Satisfaction Factors 669 Responses (10/27/2011 – 11/30/2011)</b>		
<b>Factor</b>	<b>Average Score (Scale 1-5)</b>	<b>Percentile*</b>
Overall Value	8.0	62
Overall Course Conditions	7.7	30
Pace of Play	6.7	16
Friendliness/Helpfulness of Staff	8.0	14
Golf Course Design / Layout	7.7	14
* Measured on a scale of 0 to 100, this number represents the percent of golf facilities that received lower customer ratings on this measure than the subject facility compared to other golf courses in U.S.		

## Summary of Findings

1. DeBell golfers that responded to the survey show a comparable to slightly lower level of overall customer satisfaction than is typical for other golf facilities nationwide (of all price categories). In all, the survey showed that 80% of DeBell golfers made a positive referral about the course and that the average DeBell golfer referred 4.9 other golfers to the facility. By comparison, only 7% of DeBell golfers made negative referrals, with an average of 4.1 negative referrals.
2. The profile of the DeBell golfer is predominantly male (89%) and generally older (63% over 50) than the national benchmark (total U.S. is 85% male and 50% over 50). Over 33% of respondents indicated they played a total of over 25 rounds of golf at DeBell annually. The survey group is also somewhat diversified geographically, with only 44% originating in the top four ZIP Codes: 91504, 91505, 91501, and 91506. The map displaying the origin of customers is displayed in **Appendix C** to this report.
3. Our surveys show that other golf facilities utilized by this survey group include (in order of importance – all with more than 10%): Brookside GC (39%), Hansen Dam GC (33%), Harding and Wilson Park GC's (Griffith Park – 27%), Knollwood GC (18%), Angeles National GC (17%), Robinson Ranch GC (16%), Scholl Canyon GC (14%), Woodley Lakes GC (14%) and Simi Hills GC (11%).
4. When asked when the last time they played DeBell was, 46% of respondents indicated within 30 days, 70% within 60 days, and 90% within the last 6 months.
5. On a scale of 1 to 10, with 10 being the highest, 64% of respondents rated their most recent experience at DeBell GC an 8 or higher, while only 6% rated the experience a 2 or lower.
6. When asked "how would you like to receive information about specials, events and tournaments at DeBell," the responses were as follows (respondents were allowed to select multiple options):
  - Email (601 responses – 61%)
  - Website (130 responses – 13%)
  - Flyer in clubhouse (62 responses – 6%)
  - Sign on golf cart (51 responses – 5%)
  - Facebook (38 responses – 4%)
  - Mail (36 responses – 4%)
  - Newspaper (26 responses – 3%)
  - Local golf magazine (19 responses – 2%)
  - Twitter (10 responses – 1%)
  - Text Messages (7 responses – 1%)
  - Radio (4 responses – 0%)
7. When asked about the most important reasons for not golfing more at DeBell, the responses were as follows (respondents were allowed to select multiple options):
  - Playing less due to financial considerations (167 responses)
  - Round of golf takes too long (139 responses)



- Insufficient discretionary time for golf (144 responses)
  - Golf course is too difficult (19 responses)
  - Course isn't welcoming for women (9 responses)
  - I lose too many balls (49 responses)
  - Golf course isn't welcoming for beginners (13 responses)
  - Golf course is too short - I prefer regulation length (60 responses)
  - My friends play at another course (143 responses)
  - Can't use my driver on most holes (62 responses)
  - Other (209 responses – most common responses included distance from home, play at a private club, cart batteries die during a round, poor restaurant experience)
8. When asked if the current economic climate has affected the amount of golf played, the responses were:
- I play much more (11 responses)
  - I play slightly more (19 responses)
  - It has not influenced my frequency of play (359 responses)
  - I play slightly less (196 responses)
  - I play much less (85 responses)
9. When asked if overall discretionary spending (including golf, dining, travel, entertainment) changed in the past year, the responses were:
- It has significantly increased (14 responses)
  - It has somewhat increased (46 responses)
  - There has been no change (262 responses)
  - It has somewhat decreased (268 responses)
  - It has significantly decreased (80 responses)
10. When asked about what influences the selection of where to play golf, the most important responses included (respondents were allowed to select multiple options – all answers listed):
- Course conditions (510 responses)
  - Reputation (200 responses)
  - Location (540 responses)
  - Pace of play (381 responses)
  - Golf specials or special discounts (373 responses)
  - Newspaper or magazine article (14 responses)
  - Awards/accolades of golf course (21 responses)
  - Hotel or condominium in-room guide (2 responses)
  - Chamber of Commerce (2 responses)
  - Advertisement in a golf newspaper or magazine (24 responses)
  - Golf staff (189 responses)



- Golf store – Edwin Watts, Golfsmith, etc. (18 responses)
- Price (409 responses)
- Amenities: GPS, practice facility, clubhouse (219 responses)
- Recommendation from friend or other local golfer (224 responses)
- Recommendation from hotel or local business (14 responses)
- Convention & Visitors Bureau (2 responses)
- TV or radio ad (4 responses)
- Website information from course website (82 responses)
- Opinions from others on online message boards (49 responses)
- Other (209 responses)

11. When buying golf merchandise other than at DeBell Golf Course, where do you make most of your purchases?

- Online (157 responses)
- I buy all of my golf merchandise only at DeBell Golf Course (18 responses)
- Mass merchant retailer (Target, Wal-Mart, etc.) (81 responses)
- Other golf course pro-shop (54 responses)
- Other area golf retail shop (356 responses)

12. If the tee markers that you traditionally play were moved up to a more forward tee position to make the game more enjoyable and to speed up play would you play the same color tees (and the new forward location) or would you continue to play your same tee location (using a different color tee marker)?

- I'd play the same tee color and the new forward location (222 responses)
- I'd play a new tee color with the same tee location (442 responses)

13. On a scale of 1 to 10, with 10 being the highest, 46% of respondents rated the quality and selection of food and beverage at DeBell GC an 8 or higher, while 11% rated the quality and selection a 2 or lower.

14. On a scale of 1 to 10, with 10 being the highest, 32% of respondents rated the pricing of food and beverage at DeBell GC an 8 or higher, while 14% rated the pricing a 2 or lower.

15. Survey respondents were also asked to voice their opinions in an open-ended comments section. These comments further show the general approval of the facility, especially the staff. Among the most common items identified as being liked the most by Golfers at DeBell were:

- Challenge of the course
- Pro shop staff
- Maintenance quality
- Good value for the green fee charged
- Course is not too crowded
- Outstanding scenery.

16. Survey respondents were also asked to voice their opinions to note areas of the course and or operation that was in greatest need of improvement. These items included:

- Poor restaurant customer service
- Limited snack window service
- Thin out the trees, cut back overhanging branches
- Fix up cart paths
- Improve the driving range (add cover, clean bldg., yardage markers, grass tees, etc.)
- Limited beverage cart service
- Fix the phone to order food and beverage
- Clean restrooms better
- Lower the fees

## **FACILITY PERFORMANCE AND DATA ANALYSIS – DEBELL GC**

DeBell Golf Course is operating as a public golf course, with the predominance of revenue generated from golf green fees (including cart fees). Additional revenue is collected from driving range activity, merchandise sales, lessons, other rentals, and food and beverage sales. A summary of activity, revenue, and expenses is shown below.

### **Activity Levels**

At the time of the NGF Consulting review, the DeBell Golf Course had been experiencing a long-term decline in rounds played, from 72,000 to 75,000 rounds on the 18-hole course in the 2002-04 period, down to just over 52,200 in FY2011. It does appear that DeBell has experienced a “perfect storm” of events all converging at once on the golf facility, with the price of gas, the downturn in employment, and the increase in the number of golf courses combining to reduce the rounds activity and revenue of the DeBell Golf Club. This longer term decline is generally consistent with national trends observed by the NGF. The average rounds per 18-hole public golf course in the total U.S. now stand at 32,497 rounds per year, down from over 50,000 rounds in 2000 (see **Appendix E**). Rounds totals in Southern California are considerably higher than the U.S. average, with the area averaging 66,890 rounds per 18-holes.

The rounds by type shows the most significant declines have been in the non-resident categories and the most significant increases in the senior and discount categories (specifically the “click for tee times / Golf Now). The rounds by month show that rounds of golf are distributed relatively evenly, with around 10% of rounds played in the peak months (June, July and August), and 6% in the slowest months (December, January and February).

## Rounds by Type

DeBell Golf Club Rounds Played by Type – FY2007-2012*						
		Clubhouse Under Constr.	Clubhouse open/ Cart Problems	8.7% Fee increase/Cart Problems	Fee increase of 3.0%	DeBell status in the News
<b>WE / Hol.</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>
18 Hole Non Res.	9,445	7,964	7,116	6,668	6,241	3,069
18 Hole Res.	7,376	7,049	7,010	5,986	5,852	2,110
9 Hole/TW Non Res.	3,491	3,085	2,963	2,863	2,235	917
9 Hole/TW Res.	2,328	2,202	2,211	1,986	1,462	524
Super Twilight	1,842	1,666	1,667	1,477	888	302
<b>Weekday</b>						
18 Hole Non Res.	7,745	5,273	6,316	4,359	3,835	2,134
18 Hole Res.	3,460	3,793	3,924	3,601	3,987	1,228
9 Hole/TW Non Res.	4,806	5,036	3,268	2,981	2,494	956
9 Hole/TW Res.	3,508	3,752	3,324	2,486	2,512	933
18 H Non-Res. Senior	3,838	2,167	3,146	2,570	1,996	658
18 H Resident Senior	4,939	3,307	7,424	6,982	7,616	2,581
9 H/TW Non Res. Senior	1,375	1,846	1,198	1,028	737	200
9 H/TW Res. Senior	2,712	3,953	1,820	1,579	1,683	611
Junior	1,177	998	805	867	667	233
Resident Junior	1,447	2,263	2,313	2,214	1,426	570
SuperTwilight	2,762	2,498	2,651	2,508	2,484	1,135
Tournament Fees	2,794	1,306	1,888	2,396	2,058	619
Click for TT/Golf Now	427	1,134	1,265	3,626	3,889	1,604
Replay Special / Promo		313	293	220	219	192
<b>TOTAL ROUNDS</b>	<b>65,472</b>	<b>59,605</b>	<b>60,602</b>	<b>56,397</b>	<b>52,281</b>	<b>20,576</b>
Source: City of Burbank. *Through 10/31/11 (3 mos.).						

## Par-3 Rounds by Type

DeBell Par-3 Rounds Played by Type – FY2010-2011		
	<b>FY 09-10</b>	<b>FY 10-11</b>
Burbank JR	2,277	2,351
Non Res JR	254	189
Senior	2,370	2,495
Weekday	8,648	7,664
Weekend	7,111	6,293
<b>TOTALS</b>	<b>20,660</b>	<b>18,992</b>

## Rounds by Month

DeBell Golf Club Rounds Played by Month – FY2000-2012*														
	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Totals	% Change
<b>FY2000</b>	7,578	7,481	6,472	6,768	5,779	5,974	5,379	3,785	5,670	6,530	6,990	6,758	<b>75,164</b>	
<b>FY2001</b>	6,484	4,943	3,501	3,710	4,013	4,999	5,001	3,903	6,027	7,127	7,181	7,395	<b>64,284</b>	<b>-14.5%</b>
<b>FY2002</b>	7,477	6,960	6,373	5,798	5,331	4,864	5,720	5,538	6,525	6,694	7,082	7,361	<b>75,723</b>	<b>17.8%</b>
<b>FY2003</b>	7,020	7,232	6,012	5,762	5,263	4,816	5,732	4,583	6,362	6,415	6,948	7,368	<b>73,513</b>	<b>-2.9%</b>
<b>FY2004</b>	6,866	6,835	5,912	5,560	5,338	4,701	5,609	4,909	6,437	6,584	6,781	6,959	<b>72,491</b>	<b>-1.4%</b>
<b>FY2005</b>	6,949	6,607	5,687	4,812	5,072	4,182	3,983	3,690	5,618	6,697	6,099	6,449	<b>65,845</b>	<b>-9.2%</b>
<b>FY2006</b>	6,263	5,814	4,923	3,398	4,992	4,336	4,339	4,575	4,944	5,741	6,055	5,640	<b>61,020</b>	<b>-7.3%</b>
<b>FY2007</b>	5,766	6,081	5,535	5,314	4,999	4,668	4,380	4,447	5,664	6,160	6,122	6,336	<b>65,472</b>	<b>7.3%</b>
<b>FY2008</b>	6,061	5,607	4,736	5,306	4,361	4,060	3,017	4,222	5,845	5,367	5,309	5,714	<b>59,605</b>	<b>-9.0%</b>
<b>FY2009</b>	5,721	5,848	5,232	4,471	4,252	3,846	4,751	3,716	5,763	5,878	6,157	6,214	<b>61,849</b>	<b>3.8%</b>
<b>FY2010</b>	5,506	5,408	4,407	4,810	4,749	3,599	3,698	3,654	4,851	4,917	5,585	5,213	<b>56,397</b>	<b>-8.8%</b>
<b>FY2011</b>	5,547	5,383	4,582	3,472	3,804	2,922	4,015	3,318	3,948	5,026	5,265	5,448	<b>52,730</b>	<b>-6.5%</b>
<b>FY2012</b>	5,413	5,902											<b>11,315</b>	<b>-89.7%</b>
<b>% by Month</b>	<b>10.4%</b>	<b>10.1%</b>	<b>8.0%</b>	<b>7.4%</b>	<b>7.3%</b>	<b>6.7%</b>	<b>7.0%</b>	<b>6.3%</b>	<b>8.5%</b>	<b>9.2%</b>	<b>9.5%</b>	<b>9.7%</b>	<b>100.0%</b>	

Source: City of Burbank. \*Jul + August only.

## Capacity / Target Level of Rounds

As we will present later in the 'Competitive Analysis' section, current rounds played volume at DeBell is on the lower end of the local norms for regulation 18-hole facilities operating within the Los Angeles Metro region. Based on DeBell's market positioning, location, shorter length with tight configuration, and modest fee structure, NGF Consulting has estimated a reasonable number of expected yearly rounds activity of about  $\pm 60,000$  to  $\pm 65,000$  rounds in a good weather year. We note that this estimate is reduced from actual performance figures generated by this facility as recently as 2007, but reflects a "new reality" in golf demand and per-course rounds performance in 2011 and the foreseeable future. Thus, the NGF has not termed this a "capacity" as DeBell is fully capable of hosting rounds in excess of 75,000, but it should not be expected at this location at this time.

## Total Gross Facility Revenue Analysis

Although DeBell GC is operating with multiple contracts in place that have differing sharing agreements with the City of Burbank, the NGF has identified a total gross revenue income estimate for the facility operation for each of the last two full fiscal years and the first three months of FY2012, plus a projection for the full FY2012 based on previous year's performance in the remaining 9 months. The data show that DeBell GC can generate close to \$3.0 million in total gross revenue from all sources before distribution to the contractors and the City. When compared to industry averages (see **Appendix B**) we see that DeBell is operating with revenues well above the average for 'mid-range' courses (between \$25 and \$70 green + cart fee), and even higher than the U.S. average for 'Premium' courses (over \$70 green + cart fee).

The US average revenue for mid-range public golf courses was \$993,800 (18-holes) in 2009, and \$2,645,700 for 'Premium' courses (18-holes).

DeBell GC Golf Course Total Gross Revenue – FY2010-FY2012*				
Golf Course Revenues	FY2010 Actual	FY2011 Actual	FY2012 YTD 9/30/11*	FY2012 Projected**
Green Fees	\$1,065,182	\$992,643	\$214,872	\$991,700
Par-3 Green Fees	84,146	75,799	18,819	70,800
Carts	487,097	486,850	266,118	494,000
Driving Range	234,753	238,787	64,903	234,000
Pro Shop Merchandise	208,721	197,929	47,225	190,200
Rentals and Repairs	13,707	14,467	3,901	14,500
Tournament Fees / Gift Cards	82,611	86,876	21,700	86,800
Lesson Income	93,216	75,215	17,863	71,500
Food Sales	570,256	587,917	180,559	607,700
Liquor Sales	169,027	186,713	64,403	208,200
Misc. F & B	2,209	2,159	461	1,700
<b>Total Golf Course Revenues</b>	<b>\$3,010,924</b>	<b>\$2,945,354</b>	<b>\$900,824</b>	<b>\$2,971,100</b>
Source: City of Burbank and SS GOLF. *Through 10/31/11 (3 mos.). **NGF projection based on FY2011 performance November – June.				

### Average Revenue Analysis

The total average revenue earned per round was \$54.89 for 2011, of which as much as 27% was from the food and beverage area. The average for mid-fee public golf courses in the U.S. was \$21.54 for total revenue per round in golf revenue (green, cart, membership), plus an additional \$9.04 in ancillary spending (food, beverage + merchandise – See **Appendix B**).

DeBell GC Golf Course Average Revenue per Round – FY2010-FY2012*			
	FY2010 Actual	FY2011 Actual	FY2012 Projected**
<b>DeBell 18-Hole Course Rounds</b>	<b>56,397</b>	<b>52,281</b>	<b>52,112</b>
<b>Average Revenue per Round</b>			
Green Fees	\$18.89	\$18.99	\$19.03
Carts	\$8.64	\$9.31	\$9.48
Driving Range	\$4.16	\$4.57	\$4.49
Pro Shop Merchandise	\$3.70	\$3.79	\$3.65
Other Golf	\$3.36	\$3.38	\$3.32
Total F & B	\$13.15	\$14.86	\$15.69
<b>Total 18H Golf</b>	<b>\$51.90</b>	<b>\$54.89</b>	<b>\$55.66</b>
DeBell Par-3 Rounds	20,660	18,992	18,304
DeBell Par-3 Green Fees/Round	\$4.07	\$3.99	\$3.87
Source: City of Burbank and SS GOLF. **NGF projection based on FY2012 performance through Oct. 2011 and FY2011 performance November – June.			

## City of Burbank Revenue and Expense

In reviewing the DeBell operation from the perspective of the City of Burbank, we see the total revenue figures inclusive of sharing arrangements with contractors, combined with all reported expenses, including payments to contractors. The results show an operational loss from the City's perspective, even before other items such as depreciation, debt service and capital is considered. NGF notes the high "services of other Departments" that stands out as the largest single line item expense in 2010, although some reductions show this is not the case in the budget for FY2012. The summary position of the City is shown in the table below:

DeBell Golf Club Summary of City Position – FY2010 – FY2012*			
Revenues	FY2010 Actual	FY2011 Actual	FY2012 Proj.*
<b>Golf Course Revenues</b>			
Green Fees	\$1,065,182	\$992,643	\$991,700
Par-3 Green Fees	84,146	75,799	70,800
Carts	487,097	486,850	494,000
<b>Total Golf Course Revenues</b>	<b>\$1,636,424</b>	<b>\$1,555,292</b>	<b>\$1,556,500</b>
<b>Payments to City</b>			
Food (10%)	\$57,026	\$58,792	\$60,770
Liquor (12%)	20,283	22,406	24,984
Cap Improvement	22,245	23,304	24,528
Beverage Cart	2,034	2,034	2,034
Misc. (50%)	1,104	1,079	850
<b>Total F &amp; B Payment</b>	<b>\$102,692</b>	<b>\$107,614</b>	<b>\$113,166</b>
Driving Range (25%)	\$58,688	\$59,697	\$58,500
Merchandise (5%)	10,436	9,896	9,510
Rentals + Repairs (5%)	685	723	725
<b>Total Pro Shop Payment</b>	<b>\$69,810</b>	<b>\$70,317</b>	<b>\$68,735</b>
<b>Total City of Burbank Revenue</b>	<b>\$1,808,926</b>	<b>\$1,733,222</b>	<b>\$1,738,401</b>
	FY2010 Actual	FY2011 Actual	FY2012 Proj.*
Utilities	\$372,006	\$384,534	\$400,438
18-Hole Maintenance	511,041	519,662	520,044
Par-3 Maintenance	48,033	48,518	49,008
Tree Maintenance	62,793	63,427	64,068
SS Management Fee	149,328	149,328	149,328
SS Green Fee %	57,466	53,422	53,125
SS Fee Carts	48,710	48,685	49,400
Cart Lease + Maintenance	107,300	114,315	110,000
Supplies + Other	11,759	16,135	
Insurance	36,505	37,803	41,303
Other Maintenance	26,999	27,000	58,000
Elect., Plumbing, Custodial	98,719	74,391	80,600
Services from Other Dept	577,947	484,956	432,414
<b>Total City of Burbank Expense</b>	<b>2,108,606</b>	<b>2,022,176</b>	<b>2,007,728</b>
<b>Total City Net Income (Loss)</b>	<b>(\$299,680)</b>	<b>(\$288,954)</b>	<b>(\$269,327)</b>
Source: City of Burbank and SS GOLF. *NGF projection based on FY2012 performance through Oct. 2011 and FY2011 performance November – June.			

## SS GOLF Revenue and Expense

The DeBell operation from the perspective of SS GOLF shows the large labor and other operating expenses to be borne by this vendor (including the Director of Golf salary), and the share of revenues with the City. The most intriguing part of this perspective is that money is transferred in both directions – City payments to SS GOLF as well as SS GOLF payments to the City. The results show an operation relatively close to break-even in FY2010, largely as a result of large retail merchandise purchases for the new pro shop in early calendar 2010. The FY2011 results may be more “standard” for the SS GOLF operation. The summary position of SS GOLF is shown in the table below:

DeBell Golf Club Summary of SS GOLF Position – FY2010 – FY2012*			
Total SS GOLF Revenue	FY2010 Actual	FY2011 Actual	FY2012 Proj.*
Total Gross Driving Range	\$234,753	\$238,787	\$234,000
Total Gross Pro Shop	208,721	197,929	190,200
Total Gross Rentals & Repairs	13,707	14,467	14,500
Tournament Fees / Gift Cards	82,611	86,876	86,800
Lesson Income	93,216	75,215	71,500
Green Fee Share (5%)	53,259	49,632	49,585
Par-3 Green Fee share (5%)	4,207	3,790	3,540
Cart Share (10%)	48,710	48,685	49,400
Management Fee	149,328	149,328	149,328
<b>Total Gross SS GOLF Revenue</b>	<b>\$888,512</b>	<b>\$864,709</b>	<b>\$848,853</b>
<b>Payments to City</b>			
Driving Range (25%)	\$58,688	\$59,697	\$58,500
Merchandise (5%)	10,436	9,896	9,510
Rentals + Repairs (5%)	685	723	725
<b>Total Pro Shop Payment</b>	<b>\$69,810</b>	<b>\$70,317</b>	<b>\$68,735</b>
<b>Direct Cost of Sales</b>			
Pro Shop	\$157,851	\$127,400	\$122,425
Range	\$33,989	\$23,036	\$22,574
<b>Total SS GOLF Gross Margin</b>	<b>\$626,862</b>	<b>\$643,957</b>	<b>\$635,119</b>
<b>Operating Expenses</b>	<b>FY2010 Actual</b>	<b>FY2011 Actual</b>	<b>FY2012 Proj.*</b>
Labor**	\$416,001	\$404,691	\$412,785
Office, Adv., Other	71,524	64,439	65,728
Credit Card Fees	30,539	31,033	31,654
Professional Fees	13,397	13,683	13,957
Taxes	53,981	50,090	51,092
Utilities	10,977	8,204	8,368
Insurance	20,565	14,547	14,838
Janitorial Repairs	7,509	13,130	13,393
Interest	1,754	943	962
<b>Total SS GOLF Expense</b>	<b>\$626,247</b>	<b>\$600,760</b>	<b>\$612,775</b>
<b>Total SS GOLF Net Income (Loss)</b>	<b>\$615</b>	<b>\$43,197</b>	<b>\$22,343</b>
Source: City of Burbank and SS GOLF. *NGF projection based on FY2012 performance through Oct. 2011 and FY2011 performance November – June. **SS GOLF Labor includes pro shop (77.5%), driving range (8.0%) and lesson instructors (14.5%).			



## Clubhouse Grill Revenue and Expense

The Clubhouse Grill operation has been estimated by NGF based on our review of the operation and its structure, as well as using golf and restaurant industry standards. The key expense issues in this operation are the large cost of sales and high total labor expense. The results show an operation making some profit, although the direct labor costs of the key principals is not included and assumed to be the resulting net profit. The summary position of Clubhouse Grill is shown in the table below:

DeBell Golf Club Summary of Clubhouse Grill Position – 2010 – 2012*			
<b>Total Clubhouse Grill Revenue</b>	<b>FY2010 Actual</b>	<b>FY2011 Actual</b>	<b>FY2012 Proj.*</b>
Total Gross Food	\$570,256	\$587,917	\$607,700
Total Gross Liquor	169,027	186,713	208,200
Total Gross Misc.	2,209	2,159	1,700
<b>Total Gross Clubhouse Grill Revenue</b>	<b>\$741,492</b>	<b>\$776,789</b>	<b>\$817,600</b>
<b>Payments to City</b>			
Food (10%)	\$57,026	\$58,792	\$60,770
Liquor (12%)	20,283	22,406	24,984
Beverage Cart	2,034	2,034	2,034
Capital Improvement	22,245	23,304	23,988
Misc. (50%)	1,104	1,079	850
<b>Total F &amp; B to City</b>	<b>\$102,692</b>	<b>\$107,614</b>	<b>\$113,166</b>
<b>Direct Cost of Sales</b>			
Food	\$228,102	\$235,167	\$243,080
Liquor	\$59,160	\$65,350	\$72,870
<b>Total Clubhouse Grill Gross Margin</b>	<b>\$351,538</b>	<b>\$368,658</b>	<b>\$388,484</b>
<b>Operating Expenses</b>	<b>FY2010 Actual</b>	<b>FY2011 Actual</b>	<b>FY2012 Proj.*</b>
Labor	\$175,000	\$178,500	\$182,070
Office, Adv., Other	15,000	15,300	15,606
Credit Card Fees	9,700	9,894	10,092
Professional Fees	5,000	5,100	5,202
Taxes	38,000	38,760	39,535
Utilities	12,000	12,240	12,485
Insurance	10,000	10,200	10,404
Other	3,000	3,060	3,121
<b>Total Clubhouse Grill Expense</b>	<b>\$267,700</b>	<b>\$273,054</b>	<b>\$278,515</b>
<b>Total Clubhouse Grill Net Income (Loss)</b>	<b>\$83,838</b>	<b>\$95,604</b>	<b>\$109,969</b>
Source: City of Burbank and NGF. **NGF projection based on FY2012 performance through Oct. 2011 and FY2011 performance November – June.			

## SUMMARY – CITY OF BURBANK MUNICIPAL GOLF OPERATIONS

The DeBell GC is a unique quality municipal golf course with some features that reduce its market appeal (short length), but located in a very attractive natural setting that serves to boost its appeal. The golf course is on property deeded to the City by private interests and the deed requires its continued use as a public golf course. The golf course is shorter than many others in the area, but still very challenging with narrow, tree-lined golf holes and varied topography. The

new clubhouse provides a nice amenity to the facility in both aesthetics and utility, although this building may need minor adjustments to improve its functionality and become more “golfer-friendly.”

The location of the facility is within a dense residential portion of Burbank and is generally convenient to access, provided golfers are familiar the location. For golfers less familiar with the property, finding DeBell GC may be problematic as the course is not immediately adjacent to main area roads and the signage to the property is virtually non-existent. The NGF has also documented the very limited parking at DeBell, requiring golfers to park on the street during busy periods.

The shorter DeBell par-3 provides a nice complement to the facility adding a golf course with appeal to beginners and other less-skilled or less-serious golfers. This property appeared to NGF to be more of a “park-type” property and less of an enterprise. Further, the NGF has been informed that the DeBell Par-3 property is not part of the deed restriction that exists for the full DeBell 18-hole property.

## Operations

Operationally, the DeBell golf facility is set up as a separate City enterprise fund (Golf Fund) with three separate contracts of operation, along with City oversight from the Park, Recreation and Community Services Department. The City oversight services that are charged to the Golf Fund total approximately \$500,000 in FY2011 (reduced in FY2012). Although these charges appear to be allocated properly under City guidelines and formulas, the Golf Fund does not appear to be getting good value for these charges, especially when it comes to City support of marketing.

The City has three separate contracts for the operation of the golf pro shop, golf maintenance and food and beverage operations. Some summary observations of each contract include:

- **Food and Beverage** – The F & B contract at DeBell GC is generally consistent with expectations and “standards” at public golf courses nationwide and within this market area. The only NGF concern was that this vendor could be doing more to market the clubhouse and food/beverage operation, and be working better with the golf operations staff, particularly on golf tournaments and outings (a key part of generating growth in the golf business).
- **Golf Course Maintenance** – This agreement appears to be favorable for the City of Burbank as the City would be very hard pressed to produce the quality of maintenance provided by ValleyCrest at anywhere close to the \$630,000± cost (including trees and par-3). ValleyCrest is providing its own labor, materials, and equipment, and has the resource of a corporate network that can draw on excess support in these areas when needed without additional cost to the City.
- **Golf Pro Shop** – The golf operations and oversight agreement is providing the needed basic service to the City, covering labor, marketing and merchandising of several components of operation. The contract for these services is somewhat unique in that it includes both a fixed management fee and revenue sharing agreements that require payment from the City to the Vendor and from the Vendor back to the City. Still, the net sum of the agreement seems to work for the City, but strong oversight from the City Park, Recreation and Community Services Department is still required at high cost as noted above.

In reviewing the day-to-day operations, the NGF team found that the DeBell GC golf operation is functioning within the norms on many measures of operation (expense, labor, policies, etc.), although there may have been a slow reaction to the intense competitive market environment of recent years. Some other observations on day-to-day operations:

- The facility is dominated by a large segment of local league and group play that can be both positive (strong core of loyal support) and negative (difficult for non-members to get on during peak periods) for the facility.
- The staff has appropriately observed that increasing event, outing, and tournament golf business will be the key to regaining the level of rounds activity that has been lost in recent years, but this will require enhanced marketing and cooperation between contractors, especially between the golf and food and beverage concessionaires.
- The marketing of the golf operation appears to employ many of the basic elements that NGF typically recommends in modern (2011) golf marketing, such as internet, email, social media and working with discount golf wholesalers (GolfNow, etc.).
- The facility is spending about \$13,000 (over 90% spent by SS GOLF) to market the facility when golf industry “norms” would suggest a budget of closer to \$55,000 is in order for an operation of this size. In many municipalities with similar operational structures, the City will contribute to marketing of the facility through the “services of other departments” charges, and through City initiatives like signage and promotions. The F & B vendor should also enhance their marketing efforts.
- The Clubhouse Grill appears to be operating a restaurant that happens to be located at a golf course rather than a golf course food and beverage concession. There are reported problems with service, prices, and the snack window, plus the facility is lacking a “grab-and-go” system of food and beverage service that is popular at successful golf courses.
- DeBell GC would benefit from better cooperation between vendors, especially on tournaments (reportedly improving in 2011). The NGF again notes a potential downside for the City in that rounds of golf and green/cart fee revenue could be diminished, especially with tournaments, if the food and beverage concession is not the right match.

## Physical Condition

The maintenance condition of the DeBell GC appeared to be generally good during NGF's inspection, although there were some trouble spots on some fairways and greens. The NGF finding was supported by other independent sources, along with results of NGF's golfer survey. The key areas for upgrade at DeBell include:

- The irrigation system is outdated and, although it is not urgent right now, likely will need either replacement or upgrade in the coming years. Improving the irrigation system can help reduce the large utilities expense on DeBell.
- There are too many trees on the DeBell golf property and this is affecting both: (1) the condition of the course in some places (too much shade); and (2) the play of golf with very narrow holes making golf difficult to play well.

- The driving range is a good revenue source for the facility but is in need of some upgrade, and would benefit from improvements including upgrade to the range building and some form of covering to allow for greater volume of use in overly hot or otherwise inclement weather.

As part of our consulting effort, the NGF has identified approximately \$392,000 in recommended capital upgrades to DeBell GC. These upgrades are recommended to help increase revenue and/or reduce expense. The key investments include a new long range master plan for the golf course, upgrades to the irrigation system and a new covering for the driving range.

## Performance

The NGF review of the operating data of the DeBell GC shows:

- Rounds of golf are down considerably at DeBell in the last 6 (+/-) years. Specifically non-resident rounds have declined the most while discount (GolfNow, etc.) rounds have grown the most.
- DeBell GC is now hosting rounds in the low to mid 50,000s, but it is a reasonable expectation for DeBell to be hosting in excess of 60,000 rounds annually, even in the current economic and competitive climate.
- Total gross revenue from all sources before revenue sharing totaled close to, or just over, \$3.0 million in each of the last two years, or \$57.00 per round of golf.
- The review of the City's position in golf shows a net income before capital, depreciation and debt of around **(\$280,000)** in each of the last two years and expected for FY2012. The largest expenses charged to the City Golf Fund are Utilities (\$400,000) and "services of other departments" (\$432,000), both of which are paid by the Golf Fund to the City of Burbank.
- The review of SS GOLF's position in DeBell GC shows a business that is operating at close to "break-even," perhaps with a moderate profit of around \$30,000 (+/-) in FY2011 and FY2012. SS GOLF has made a large recent investment in retail merchandise that is impacting the profitability numbers.
- The NGF review of the food and beverage concession shows a profit of up to \$100,000 on the operation, but this excludes direct labor expense for the two principals of R & M Concessions.

## Summary of Performance by Contract 2010-2011

The table on the following page shows the overall economic performance of the various parties to the DeBell golf operation, based on actual performance and contract terms for FY2010 and FY2011. This exercise shows the City operating DeBell GC at a loss, largely due to a large internal expense (services of other departments). The pro shop and food / beverage concessionaires appear to be profitable, which is expected and necessary in order to keep these contractors in place. It is assumed in a structure like DeBell GC that contractors would not continue with agreements if they were not profitable.

**DeBell Golf Club**  
**Summary of Financial Impact by Constituency– 2010 – 2011**

City of Burbank Perspective			SS GOLF Perspective			Clubhouse Grill (R & M) Perspective		
	2010	2011		2010	2011		2010	2011
Golf Revenue	\$1,636,424	\$1,555,292	Range/Shop	\$443,474	\$436,716	Food	\$570,256	\$587,917
SS Payment	\$69,810	\$70,317	GF/Cart Share	255,504	251,435	Liquor	\$169,027	\$186,713
R & M Payment	\$102,692	\$107,614	Lessons/Other	189,534	176,558	Other	\$2,209	\$2,159
<b>Total City Revenue</b>	<b>\$1,808,926</b>	<b>\$1,733,222</b>	<b>Total SS GOLF Rev</b>	<b>\$888,512</b>	<b>\$864,709</b>	<b>Total R &amp; M Rev</b>	<b>\$741,492</b>	<b>\$776,789</b>
<b>Expenses</b>			<b>Expenses</b>			<b>Expenses</b>		
O & M Expense	\$653,288	\$654,178	Payment to City	\$69,810	\$70,317	Payment to City	\$102,692	\$107,614
SS Fees	\$255,504	\$251,435	Cost of Sales	\$191,840	\$150,436	Cost of Sales	\$287,262	\$300,516
ValleyCrest Fees	\$621,867	\$631,607	Other Expense	\$626,247	\$600,760	Other Expense	\$267,700	\$273,054
Internal Services	\$577,947	\$484,956	Internal Services	\$0	\$0	Internal Services	\$0	\$0
<b>Total City Exp.</b>	<b>\$2,108,606</b>	<b>\$2,022,176</b>	<b>Total SS GOLF Exp.</b>	<b>\$887,897</b>	<b>\$821,513</b>	<b>Total R &amp; M Exp.</b>	<b>\$657,654</b>	<b>\$681,185</b>
<b>Net to City</b>	<b>(\$299,680)</b>	<b>(\$288,954)</b>	<b>Net to SS GOLF</b>	<b>\$615</b>	<b>\$43,197</b>	<b>Net to R &amp; M</b>	<b>\$83,838</b>	<b>\$95,604</b>
Source: City of Burbank, SS GOLF, and NGF.								

## Summary of Performance City Perspective 2010-2011

The table below shows the overall economic performance of the DeBell golf operation from the perspective of the City of Burbank, including all expenses associated with the operation including capital, depreciation, and interest. The table also shows an NGF estimate of the cash position of the Golf Fund since 2006. This exercise shows the impact of the new clubhouse on the Golf Fund cash position, and the overall declines in operating income over the last few years. While annual net income has declined in the last few years, the total revenues collected by the City at DeBell GC have remained relatively stable. This demonstrates: (1) the new clubhouse has not been instrumental in increasing overall City revenue at DeBell; and (2) the new clubhouse has added considerably to the expense in the DeBell operation, especially in City services and utilities.

DeBell Golf Club Summary of Financial Position – 2006 – 2011						
Revenues	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Green Fees	\$967,230	\$1,190,333	\$974,008	\$1,072,613	\$1,065,182	\$992,643
Par-3 Green Fees	96,689	67,191	65,407	69,396	84,146	75,799
Carts	478,836	569,546	490,502	525,113	487,097	486,850
Food and Beverage Concession	42,694	41,605	17,189	41,908	80,447	84,311
Golf Pro (Range, shop, repairs)	80,020	74,949	55,239	77,690	69,810	70,317
Capital Improvement	38,810	37,017	10,636	6,581	22,245	23,304
Other	0	0	477	2,300	0	0
<b>Total City Golf Revenue</b>	<b>\$1,704,279</b>	<b>\$1,980,641</b>	<b>\$1,613,458</b>	<b>\$1,795,601</b>	<b>\$1,808,926</b>	<b>\$1,733,222</b>
Expenses	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Utilities	\$252,504	\$325,585	\$354,221	\$372,249	\$372,006	\$384,534
ValleyCrest	602,807	608,896	613,806	618,757	621,867	631,607
Total SS GOLF	245,080	265,271	247,915	257,975	255,504	251,435
Cart Lease + Maintenance	81,100	58,067	79,502	81,550	107,300	114,315
Supplies + Other	2,836	6,716	15,440	183,475	11,759	16,135
Insurance	41,839	36,821	35,306	32,184	36,505	37,803
Other	93,376	103,143	24,180	261,294	125,718	101,391
Services from Other Dept	317,585	466,503	455,873	492,995	577,947	484,956
<b>Total City Operating Expenses</b>	<b>\$1,637,127</b>	<b>\$1,871,002</b>	<b>\$1,826,243</b>	<b>\$2,300,479</b>	<b>\$2,108,606</b>	<b>\$2,022,176</b>
<b>Total City Operating Income</b>	<b>\$67,152</b>	<b>\$109,639</b>	<b>(\$212,785)</b>	<b>(\$504,878)</b>	<b>(\$299,680)</b>	<b>(\$288,954)</b>
Non-Operating Items						
Interest	\$0	\$0	\$0	\$84,938	\$40,612	\$23,000
Depreciation	\$112,243	\$114,247	\$131,215	\$358,008	\$577,661	\$564,399
Capital Investment	\$196,000	\$567,000	\$3,741,000	\$4,449,000	\$417,338	\$4,000
<b>Net After Capital, Deprec. &amp; Debt</b>	<b>(\$241,091)</b>	<b>(\$571,608)</b>	<b>(\$4,085,000)</b>	<b>(\$5,396,824)</b>	<b>(\$1,335,291)</b>	<b>(\$880,353)</b>
Cash Position Calculation						
Loans received	\$0	\$0	\$0	\$2,500,000	\$0	\$1,000,000
Interest Income	\$203,000	\$372,000	\$276,000	\$76,000	\$21,000	-\$5,000
Add Back Depreciation	\$112,243	\$114,247	\$131,215	\$358,008	\$577,661	\$564,399
<b>Cash Position</b>	<b>\$6,663,000</b>	<b>\$6,577,639</b>	<b>\$2,899,854</b>	<b>\$437,038</b>	<b>(\$299,592)</b>	<b>\$679,046</b>
Source: City of Burbank with NGF estimates.						



# Golf Market Overview

In this chapter the NGF provides an overview of national trends with respect to golf, a summary of the greater Los Angeles public golf market, a profile of the area's demographics, and key points regarding economic factors that have the potential to affect golf demand. In the second part of this section we provide an analysis of key golf market demand and supply indicators and a review of the competitive public golf market in the Burbank / greater Los Angeles area. The objective of this section is to identify and assess those local factors that may affect the volume of rounds played at DeBell Golf Club. There are many variables that have the potential to affect the activity of a golf course, including regional weather variations and unforeseen occurrences such as a severe downturn in the economy or an act of terrorism. In this section, we focus on those factors that are most likely to affect play levels at DeBell.

## NATIONAL TRENDS

Golf participation in the U.S. has grown from 3.5% of the population in the early 1960s to about 9.2% of the population today. NGF estimates that about 26.1 million golfers ages 6 and above reside in the U.S. Other surveys completed outside the golf industry show the number of people who "identify themselves as golfers" is as high as 45 million, indicating a large potential "latent" demand from very inactive golfers.

In addition to increased competition, three other factors have contributed to a decline in the number of rounds per course nationally during the 2002 to 2010 period. These include: 1) an uneven national economy; 2) the aftereffects of 9-11, which greatly reduced the traveling golfer market; and 3) the increasing time pressure on individuals and families. The combination of these factors has caused many golf facilities to become distressed, particularly those that have a high debt load because of higher construction costs and the perceived need to build high-end courses.

The number of golf course closings quadrupled from an annual average of 24 courses per year in the 1993-2001 time period to more than 100 courses in 2005. In 2006, there was negative net growth in golf facilities for the first time in six decades, with 146 18-hole equivalents closing and 119.5 opening. In 2007, there were 113 openings and 121.5 closures, and in 2008, 72 golf course openings and 106 closures. In 2009, 49.5 openings minus 139.5 closures equated to a net loss of 90 18-hole equivalents. In 2010, 107 18-hole equivalents were closed. Closures continue to be disproportionately public, stand-alone 9-hole facilities or short courses (executive or par-3 length) with a value price point. Considering the decade as a whole, there was net gain of 656 18-hole courses from 2001-2005 and a net loss of 220 from 2006 to 2010.

U.S. rounds decreased 2.3% through December 2010, with the Pacific Region decreasing 22.6% and California increasing 0.6%. The NGF "National Golf Rounds Played Report" indicates that September 2011 year-to-date rounds played in the Pacific Region were down 0.7% and California rounds were down 0.2% through September 2011 (the U.S. overall was down 3.8%). In terms of the total number of rounds produced in the United States, NGF estimates that rounds fell about 4.9% over the past five years.

There is no denying a significant drop in golfers, but it appears to be mainly economically driven and therefore we can expect some post-recession recovery. The long-term view remains



moderately favorable, due to population growth, latent demand, and baby boomers retiring. According the NGF research, openings are likely to stay in the range of 30-50 per year and closures are expected to continue in the 100-150 range.

## **GREATER LOS ANGELES PUBLIC GOLF MARKET**

Up until the early part of this decade, the greater Los Angeles public golf market had been exceptionally strong, with golf demand and per-course rounds played peaking in the mid- to late-1990s. Public access golf was dominated by municipal golf facilities, most operating at close to full capacity and some approaching or exceeding 100,000 rounds per 18 holes. The golf market benefited from extremely high population density, demographics, and climate attributes that generally coincided with high levels of golf participation, and relatively low per capita supply of public access golf courses.

The Los Angeles / Southern California public golf market, like most major golf markets across the U.S., began to decline in the early part of this decade due to a variety of factors, including a significant build up in the supply of public golf courses (especially real-estate driven daily fee courses), socioeconomic, lifestyle and demographic changes, the September 11 terror attacks, and poor regional and national economic conditions during much of the 2000 to 2011 period.

In the Los Angeles MSA (comprises Los Angeles and Orange counties), 153 new holes of golf, including 135 public, have been added in the last decade. Additionally, several other higher-end daily fee golf courses were added in the late 1990s through 2000 period, including Coyote Hills, Oak Creek, Westridge, and Strawberry Farms in Orange County, and the 36-hole Robinson Ranch in L.A. County. In terms of the broader market, about 50 18-hole equivalent public access golf courses were added in the seven-county Southern California region between the mid 1990s and 2008. While public golf course inventory grew by nearly 33% over this time, the population of the seven-county region increased by only about 17%.

Due to the factors listed above, per-course rounds played began declining in the early to mid-part of the 2000s, with percentage decreases largely correlated with price point. Higher end daily fee facilities were hit particularly hard, with rounds off by 20% or more, while lower fee municipal golf courses generally experience decreases of 5% to 10%. With improved economic conditions, play stabilized (adjusted for playable days) for several years before beginning to decline once more with the recession of the late 2000s.

Golf operators responded predictably to the decrease in demand, with the primary reaction being ubiquitous discounting of green fees during off peak periods (weekend demand has remained strong), particularly by mid-to-high market daily fee facilities. As is the case with much of the rest of the country, this has made greater Los Angeles a “buyer’s market”, with numerous ways for consumers to pay other than “rack” rate, including e-club specials, other forms of yield management such as offering tee times through internet wholesalers (e.g., golfnow.com), off peak (e.g., weekday) discounts, and frequent player / loyalty programs.

Discounting at higher fee daily fee facilities has effectively put downward pressure on fees, bringing many into competition with golf courses such as DeBell, especially during off peak demand periods. While posted market greens fees at most public access golf courses have increased moderately in recent years, the average green fee revenue per round (averaged daily rate, or ADR) at many courses, particularly mid and high-end daily fees, has been stable or even declined as a result of the discounting phenomenon.

Southern California golf operators face unique challenges in the face of declining rounds and revenues, as the already high fixed-expense structure of golf courses is exacerbated in this market by a very high cost of irrigation water. Many municipal golf operations also face obstacles related to prevailing/living wage laws and the very high cost of public labor. Typical manifestations of decreasing net revenues (or increasing losses) include deferred maintenance and/or capital improvements, and significant cuts in the labor force. However, as NGF has observed in other golf markets, those operators that react by significantly reducing maintenance and golf operations budgets run the risk of entering a self-perpetuating downward spiral resulting from offering a reduced golf experience in a highly competitive market.

## MARKET FACTORS THAT MAY AFFECT GOLF DEMAND

### Defining the Market

The NGF's *Golf Consumer Profile* documents that “on the average nationally, golfers travel about 12 miles one way to play their most frequently played golf course. That translates into a 19-minute trip to the average golfer’s most often played course.” The survey also determined that golfers are willing to travel farther to regularly play a high quality course (up to 26 miles or 36 minutes.) Further, it was determined in the national survey that golfers are willing to travel as far as 48 miles or 60 minutes to occasionally play a good quality golf course.

A number of factors assist in determining the expected market area for a golf facility. In addition to the quantity, quality, and nature of existing competitive facilities in the area (discussed in detail later in this report), the nature of population centers, the availability of highway and major thoroughfare infrastructure, economic and demographic factors, and the propensity for golfers to travel to play golf all play a role in establishing the primary market area for a golf facility. Based on these factors, as well as our knowledge of this market, interviews with area golf operators, and the results of the golfer survey, NGF expects that the majority of play at DeBell GC will come from residents of the City of Burbank and surrounding communities generally within a 10-mile range of the club.

### Demographics Summary

In the following table, NGF Consulting summarizes the population, median age, and median household income trends for the local market, the Los Angeles MSA (comprises Los Angeles and Orange Counties), and the total U.S.

DeBell Golf Course	3 mi	10 mi	15 mi	Los Angeles MSA	U.S.
<b>Summary Demographics</b>					
Population 1990 Census	102,593	1,702,860	3,619,788	11,273,700	248,710,012
Population 2000 Census	110,353	1,832,907	3,813,188	12,365,619	281,421,906
<b>CAGR 1990-2000</b>	<b>0.73%</b>	<b>0.74%</b>	<b>0.52%</b>	<b>0.93%</b>	<b>1.24%</b>
Population 2010 Census	112,154	1,828,751	3,871,018	12,828,901	308,699,447
<b>CAGR 2000-2010</b>	<b>0.16%</b>	<b>-0.02%</b>	<b>0.15%</b>	<b>0.37%</b>	<b>0.93%</b>
Population 2016 Projected	112,566	1,837,702	3,891,022	12,857,707	325,288,086
<b>CAGR 2010-2016</b>	<b>0.06%</b>	<b>0.08%</b>	<b>0.09%</b>	<b>0.04%</b>	<b>0.88%</b>
Median HH Inc	\$62,784	\$53,350	\$52,161	\$61,596	\$53,908
Median Age	34.6	34.8	34.8	34.8	36.9
CAGR = Compound Annual Growth Rate					

From the data collected for this study, NGF Consulting has made the following observations regarding the demographics of Burbank and surrounding areas:

- Our estimates indicate about 112,000 people living within three miles of DeBell Golf Club in 2010, with upwards of 1.83 million and 3.9 million in the 10 and 15-mile markets respectively, indicating a very dense population. Population growth rates in the subject markets lagged behind national growth rates during the 2000s, and are projected to be modest between 2010 and 2016.
- The Median Household Income of DeBell GC's immediate three-mile trade area is about 16.5% lower than the corresponding national figure of \$53,908, while median incomes in the broader markets are similar to the national median. In general, higher income residents are more likely to participate in golf, and they play more frequently than lower income golfers. In markets such as greater Los Angeles, median incomes must be considered in the context of the relatively high cost of living.
- The Median Ages in the local market areas are considerably lower than the national median of 36.9 years. In general, golf participation rates and frequency of play increase with age (though both decline among the elderly), making relatively older markets more attractive to golf facility operators, all other factors being equal.

## Economic Overview

Economic trends that have affected demand for golf, especially at higher price points, include high unemployment and decreased discretionary income, both of which are being experienced currently in southern California. Below we summarize a few aspects of the local and regional economies that have the potential to impact demand for golf and net revenues at DeBell GC.

- Interviews with area golf operators indicate that golfers are either playing less and/or shifting play patterns to less expensive rounds in light of economic realities. This is normally to the benefit of lower priced municipal facilities such as DeBell GC.
- There are many large employers in the Burbank / greater Los Angeles area that present a potential target market for area golf courses in terms of corporate memberships and large tournaments. Burbank's largest private employers include The Walt Disney Company with 7,900 employees as of 2010, Warner Bros. Entertainment (7,400), St. Joseph's Hospital (2,850), Bob Hope Airport (2,400), and NBC/Universal (1,300).
- Some key economic indicators:
  - City building permits issued in 2010 were 3,601, down about 9% from 2009 and more than 48% from 2006.
  - The Citywide office vacancy rate in 2<sup>nd</sup> quarter 2011 was 9.8%, down from 12.6% in 2<sup>nd</sup> quarter 2010.
  - Homes sold in July 2011 were up slightly over prior year, but the median price fell by 7.5% to \$490,000.
  - Burbank's unemployment rate in July 2011 was 10.8%, compared to 12.4% for Los Angeles County.
- Tourism is the largest industry in the greater Los Angeles area, employing 437,000 people in the five-county metropolitan area. According to the Los Angeles Economic Development Center, Los Angeles County hosted 25.8 million visitors in 2010, up 8.2% from 2009. Direct spending from these visitors totaled \$14.1 billion, an increase

of 13% over 2009. Domestic overnight visitation to Los Angeles increased by 6.7% in 2010, to 20.6 million.

- In late September 2011, the Burbank City Council conducted a public hearing for the Resolution of Formation regarding the establishment of the proposed Burbank Tourism Business Improvement District (T-BID). The T-BID is being pursued as a catalyst to enhance the economic health and stability of Burbank. The ultimate goal is to enhance Burbank's competitiveness in the tourism industry at a local, regional, and national level. Should these efforts prove successful, DeBell GC should be able to increase its transient play, and the NGF expects that the presence of DeBell GC in Burbank will be part of the T-BID effort.

## Golf Market Supply and Demand Indicators

The basic measures of golf demand and supply that may affect the performance of DeBell Golf Club are outlined below. The **Golfing Household Index** is based on Predicted Number of Golfing Households, and compares golfing household participation in a particular geography to the national base index of 100. The **Rounds Index** is based on Predicted Number of Rounds, and compares the propensity of rounds played per household in a particular geography to the national average rounds index of 100.

The predictive indices for golfing households and rounds demanded were developed in order to determine the relative strength of a particular golf market area in comparison to other golf markets and the nation as a whole. These predictive demand indices help identify where golfing households and rounds activity are concentrated by comparing various geographies with one another and the national average, which is 100. For example, if an MSA has a Golfing Household Index of 120, that area is estimated to have 20 percent higher golf participation rate as compared to the U.S. average. And, if an MSA has a Rounds Index of 120, that area is estimated to have 20 percent higher average rounds per household as compared to the U.S. average.

## Predicted Local Golf Demand

The methodology for determining the relative strength of the subject market is based on ongoing NGF research of American golf participation habits. The NGF Golf Demand Model includes the critical combination of age and income, regional seasonality, and available golf course supply, as well as existing and emerging demographic trends in a particular market area. This model can be used as a benchmark for estimating potential market strength in a particular area. The results of this survey allow NGF to make accurate predictions concerning demand, participation, and golf spending.

The golf demand indices for the local sub-markets around DeBell GC indicate golf participation rates that are about 5% to 7% lower than the U.S. benchmark. However, because of factors such as the year-round golf season, predicted rounds played per household are between 10% and 25% higher in the greater Los Angeles market. The results for the local areas are posted below:

DeBell Golf Course	3 mi	10 mi	15 mi	Los Angeles MSA	U.S.
<b>Golf Demand Indicators</b>					
# of Golfing Households	7,569	114,452	234,804	786,362	21,237,600
Number of Rounds Played	227,048	3,219,979	6,485,677	22,552,062	498,831,616
Golfing Household Index	95	93	93	102	100
Rounds Played Index	122	111	110	125	100
<b>Retail Indicators</b>					
Golfing Fees	\$9,245,937	\$131,125,312	\$265,395,664	\$961,160,704	\$20,179,122,176
Hard Goods Spending	\$1,268,519	\$17,990,022	\$36,411,540	\$126,220,656	\$2,794,251,520
Soft Goods Spending	\$815,466	\$11,564,884	\$23,407,158	\$81,140,792	\$1,796,280,960
<b>Golf Demand Indices*</b>					
Golfing Households	95	93	93	102	100
Rounds Played by Residents	122	111	110	125	100
Rounds Played Locally	139	105	102	119	100
Rounds Played Regionally	118	125	125	140	100
Rounds Played on Vacation	41	100	105	105	100
Rounds Played at Seasonal Home	40	108	107	119	100
Golfing Fees	123	112	111	132	100
Hard Goods Spending	122	111	111	125	100
Soft Goods Spending	121	111	110	125	100

\* Locally – less than 50 miles; Regionally – 50-100 miles; On Vacation – more than 200 miles.

### Corporate / Organizational Market Demand

As noted above, the Burbank/greater Los Angeles area is home to a large number of major corporate and public employers. Although potential corporate demand for public golf rounds and/or memberships is difficult to quantify, it is clear that DeBell GC management should target this market for large outings. This corporate/ organizational tournament play can augment the daily fee rounds expected from the primary and secondary resident markets, especially during off peak periods.

### Visitor Golf Demand

Visitors (both leisure and business travelers) to the Burbank/greater Los Angeles area have the potential to impact demand at area golf courses. Actual visitation numbers to Burbank were not available, but earlier we summarized the magnitude of tourism in the greater Los Angeles area in general. NGF research shows that roughly one-third of all golfers participate in the activity while traveling, playing about a round of golf for every two days of travel. These visiting golfers, especially those staying in Burbank hotels, should be targeted by DeBell management.

### Golf Supply Factors

#### Current Golf Course Supply

There are 18 total golf facilities (subject included), totaling 333 holes, within ten miles of DeBell Golf Club, including 12 that are public (234 holes). Los Angeles and Orange Counties are home to 167 golf facilities, including 110 that are public access. The ratio analysis that follows puts these numbers in context, compared to national benchmarks.

<b>DeBell Golf Course</b>	<b>3 mi</b>	<b>10 mi</b>	<b>15 mi</b>	<b>Los Angeles MSA</b>	<b>U.S.</b>
<b>Golf Supply Summary</b>					
Total Golf Facilities	2	18	35	167	15,902
Public Golf Facilities	2	12	22	110	11,633
Private Golf Facilities	0	6	13	57	4,269
Total Golf Holes	45	333	684	2,925	268,443
Public Golf Holes	45	234	414	1,881	191,214
Private Golf Holes	0	99	270	1,044	77,229

While only 18 holes of new public golf have opened within 15 miles of DeBell GC in the last decade, the two-county MSA has seen 153 new holes added, including 135 public, during that time. The NGF database lists no new golf courses currently under construction, and only one in planning – the West Covina Golf Course, a proposed 18-hole regulation length daily fee course (no dates are available at this time).

### Household/Supply Ratios and Indices

The Household/Supply Ratios are derived by dividing the number of households by the number of 18-hole equivalent golf courses. This measure is used as a benchmark to establish the level of support (households) that is available for each 18 holes of golf in the market. A Household /Supply index is derived from these ratios and compared with the base national figure of 100. As the table below indicates, the 10-mile market around the DeBell GC has nearly five times as many households per 18 holes of golf (both total and public) than does the nation overall. The overall Los Angeles MSA has more than three times as many households per 18 holes than the overall U.S.

<b>DeBell Golf Course</b>	<b>3 mi</b>	<b>10 mi</b>	<b>15 mi</b>	<b>Los Angeles MSA</b>	<b>U.S.</b>
<b>Household/Golf Supply Indicators</b>					
Households per 18 Holes: Total	17,688	37,038	36,728	26,307	7,733
Households per 18 Holes: Public	17,688	52,708	60,682	40,908	10,856
Households per 18 Holes: Private	NA	124,583	93,045	73,706	26,879
Households Supply Index: Total	224	469	465	333	100
Households Supply Index: Public	158	471	542	365	100
Households Supply Index: Private	0	466	348	276	100

### Golf Course Market Supply / Demand Summary

Using the most basic measures of golf demand and supply, the Burbank / greater Los Angeles area is an “Active” market, with a high number of households (relative to national benchmarks) available to support existing golf courses, and higher than average golf demand per household. Though the predictive demand model and supply ratio analysis is very useful in evaluating the relative strength of golf markets, it cannot stand on its own in determining the status or health of a golf market. Rather, these analyses must be considered in the context of what is actually happening “on the ground” in the market, in terms of price point and activity level trends at existing golf courses.



## COMPETITIVE GOLF MARKET FOR DEBELL GC

NGF Consulting has analyzed the public access golf market in DeBell GC's primary trade area, with emphasis on determining the facility's current market position and prospects for sustaining and/or building market share in the future. A map illustrating the relative locations of DeBell GC and its key competitors is shown below. Following the map, we provide summary operating information for these key competitors, as well as key findings regarding DeBell's competitive market.

### Competitive Facilities Map





## DeBell GC – Key Competitors

The tables on the following pages illustrate basic facility and operating data for some of DeBell GC's key competitors. These facilities were identified with the help of management, and facilities were chosen based on several factors, including facility type, proximity to DeBell, price point, and the results of the golfer survey.

DeBell Golf Course – Key Competitors						
Facility	Location	Type	Year Open	Par / Slope	Front Tee / Back Tee	Location Relative to DeBell GC*
DeBell Golf Course (18H)	Burbank	27H-MU	1958	71 / 120	4,946 / 5,608	--
Brookside Golf Course (Koiner Course #1)	Pasadena	36H-DF	1928	72 / 133	6,114 / 7,037	8.5 miles SE
Hansen Dam Golf Course	Pacoima	18H-MU	1977	72 / 121	5,421 / 6,669	6.5 miles NW
Griffith Park Harding Golf Course	Los Angeles	18H-MU	1934	72 / 123	6,137 / 6,536	4.5 miles SSE
Griffith Park Wilson Golf Course	Los Angeles	18H-MU	1951	72 / 123	6,436 / 6,947	4.5 miles SSE
Knollwood Golf Club	Granada Hills	18H-MU	1956	72 / 133	5,714 / 6,373	12.5 miles NW
Scholl Canyon Golf Course (E)	Glendale	18H-MU	1994	60 / 88	2,400 / 3,039	7.0 miles SE
Sepulveda Golf Course (Encino)	Encino	18H-MU	1947	72 / 114	6,193 / 6,789	11.5 miles WSW
Sepulveda Golf Course (Balboa)	Encino	18H-MU	1947	72 / 117	6,099 / 6,609	11.5 miles WSW
Woodley Lakes Golf Course	Van Nuys	18H-MU	1976	72 / 119	6,224 / 6,805	10.5 miles WSW
*Air Miles from subject site, rounded to half-mile; actual driving distances will likely be greater KEY: MU – Municipal DF – Daily Fee E - Executive						

The results of the golfer survey also indicated some other facilities where DeBell GC customers play. In addition to the golf courses listed above, DeBell Golf Club will also compete secondarily for certain types of rounds with facilities such as the County's 18-hole executive El Cariso in Sylmar and 18-hole regulation Santa Anita GC in Arcadia, as well as Alhambra Golf Course and Simi Hills Golf Course, which are fairly distant but at similar price points to DeBell. Finally, higher end facilities such as Robinson Ranch in Santa Clarita, Rustic Canyon in Moorpark, Angeles National in Sunland, and Lost Canyons in Simi Valley will take some market share from DeBell, especially for off-peak and/or otherwise discounted rounds.

## Summary Operating Information – Key Competitors

The table below shows summary rounds played and fee information for DeBell GC and key competitors as identified. Fees represent 18-hole walking rates, unless otherwise noted. Fees for Brookside course fees are for the Nay course (Koiner fees are approximately \$10 to \$15 higher for peak rates, depending on category). For City of Los Angeles courses, Friday rates are also illustrated.

		Resident			Non-resident					
Golf Course	Rounds Played	WD/WE Green Fee	WD/WE Twilight Green Fee	WD/WE Senior Green Fee	WD/WE Green Fee	WD/WE Twilight Green Fee	WD/WE Senior Green Fee	WD/WE Super Twilight	Prime Time Per Person Cart Fee (WD/WE)	Average Green & Cart Fee per Round
DeBell Golf Course (18H)	52,281	\$22/\$27	\$14/\$16	\$14/DNA	\$31/\$36	\$19/\$21	\$20/DNA	\$10/\$12	\$14	\$27.52
Brookside Golf Course	133,400	\$26/\$35	\$16/\$23	\$22/DNA	\$31/\$45	\$22/\$31	\$22/DNA	\$21/\$25 <sup>1</sup>	\$15/\$18	\$35.29
Hansen Dam Golf Course	66,000	\$30/\$34/\$40	\$19/\$21/\$24	\$19/\$22/DNA	\$35/\$39/\$45	\$22/\$24/\$27	\$24/\$27/DNA	\$12/\$13/\$14 <sup>2</sup>	\$12	\$29.56
Griffith Park - Wilson	143,800	\$33/\$37/\$43	\$20/\$22/\$25	\$20/\$23/DNA	\$38/\$42/\$48	\$23/\$25/\$28	\$25/\$28/DNA	\$13/\$14/\$15 <sup>2</sup>	\$12	\$30.36
Griffith Park - Harding		\$30/\$34/\$40	\$19/\$21/\$24	\$19/\$22/DNA	\$35/\$39/\$45	\$22/\$24/\$27	\$24/\$27/DNA	\$12/\$13/\$14 <sup>2</sup>	\$12	\$30.36
Knollwood Golf Club	87,400	\$26/\$35	\$18/\$23	\$13.5/DNA	\$26/\$35	\$18/\$23	\$13.5/DNA	\$13/\$17	\$13/\$13	\$28.14
Scholl Canyon GC	50,000	\$15/\$22	\$18/DNA	Club Card <sup>3</sup>	\$15/\$22	\$18/DNA	Club Card <sup>3</sup>	\$11/\$13	\$8/\$12	N/A
Sepulveda (Encino/Balboa)	125,900	\$30/\$34/\$40	\$19/\$21/\$24	\$19/\$22/DNA	\$35/\$39/\$45	\$22/\$24/\$27	\$24/\$27/DNA	\$12/\$13/\$14 <sup>2</sup>	\$12	\$28.29
Woodley Lakes GC	62,400	\$30/\$34/\$40	\$19/\$21/\$24	\$19/\$22/DNA	\$35/\$39/\$45	\$22/\$24/\$27	\$24/\$27/DNA	\$12/\$13/\$14 <sup>2</sup>	\$12	\$29.58
<b>Averages - excluding DeBell (Rounds are per 18 holes)</b>	<b>66,890</b>	<b>\$28/\$35/\$37</b>	<b>\$19/\$21/\$24</b>	<b>\$19/\$22/DNA</b>	<b>\$31/\$40/\$41</b>	<b>\$21/\$24/\$27</b>	<b>\$22/\$27/DNA</b>	<b>\$13/\$13/\$16</b>	<b>\$12/\$12</b>	<b>--</b>

1 Represents riding rates.

2 Non-resident super twilight fees are \$15/\$16/\$17 at Hansen Dam, Griffith Harding course, Encino/Balboa, and Woodley Lakes.

3 Purchase of Club Card entitles seniors to discounted rates.

\*NGF Consulting Estimate

DNA – Does Not Apply

## Significant Findings

### General

- The City of Los Angeles courses listed above (more discussion on L.A. golf system later in this section), as a group, present significant competition to DeBell GC, with Griffith Park (Harding/Wilson) and Hansen Dam topping the list. These facilities are offer well maintained courses that, at 6,500 to 7,000 yards, are significantly longer than DeBell and are more expansive, with generally wide fairways, large and receptive greens, and more forgiving layouts. The subject L.A. courses feature much older clubhouses that do not compare to the newer facility at DeBell GC, though parking is much more of an issue at DeBell GC.
- The City of Los Angeles has completed golf facility improvements at some of DeBell's key competitors in recent years, including a major renovation of the Hansen Dam Golf Course that included a new irrigation system, installation of continuous concrete cart paths, and improvements to golf course features. The Sepulveda Balboa golf course was re-routed and improved, lengthening the course and resulting in a par-72 layout. Also, as part of its proposed 10-year Capital Plan for the golf system, the City tentatively plans to improve the practice range facilities at Sepulveda, Woodley Lakes and Rancho Park.
- The 36-hole Brookside Golf Course (city leases facility to American Golf through its Rose Bowl Operating Company non-profit corporation), though at a higher price point than DeBell, was listed by the highest percentage of respondents to our golfer survey as a facility that DeBell golfers also frequent. Located in Pasadena with ease of access from both the 210 and 134 freeways, Brookside was designed by famed golf architect William P. Bell in 1928 and has hosted major championships in the past. The Koiner Golf Course, recently lengthened to 7,200 yards, is the more difficult and expensive of the two courses. The Nay course is closer to DeBell in both length (6,046 yards) and price, and is therefore likely the stronger competitor to the Burbank course. Recent improvements include the renovation of all tee boxes on both courses and the addition of 30 bunkers. Full amenities are available including a driving range, two putting greens, and chipping area.
- Both Brookside and L.A. County's Knollwood Golf Club have larger clubhouses, with banquet capacities of up to 300.
- High-end daily fee Angeles National Golf Club, located about five miles from DeBell in Sunland, can be considered a secondary competitor to DeBell mainly due to its affordable membership programs. The four-month Nicklaus Premier Program is offered for the November through February period for a one-time fee of \$1,499 for Monday through Thursday play, or \$1,899 for seven-day play (9 am to 11 am excluded under both programs). There is no initiation fee, monthly dues, or food and beverage minimum. The \$1,899 Gold Program includes, among other benefits, a \$150 range credit.
- Similarly, the 36-hole Lost Canyons Golf Club, a spectacularly scenic Pete Dye – Fred Couples collaboration in Simi Valley, offers several unlimited play annual plans ranging from the \$3,000 Silver Card (M-Th only, cart included) to the \$4,500 Platinum Card, which offers unlimited play on both courses, 7 days a week, cart included, with 30-day advance tee-time booking.

## Green Fees

- As we have observed in many golf markets, discounting of golf fees – especially during off peak demand periods - has resulted in golfers spreading the wealth and playing occasional “luxury” rounds at clubs that they could not otherwise afford. However, due to the congested nature of the freeways in the Los Angeles area, the majority of golfers choose a “home course” that does not require much travel. Therefore, a high quality facility with good customer service and reasonable pricing should be able to capture a strong share of rounds played by golfers that live within 15 to 30 minutes.
- The pricing convention in this market includes fees delineated by weekday/weekend, morning/twilight/super twilight, and resident/non-resident (at least for municipal facilities). Of the facilities we profiled, only the Los Angeles City courses have a special Friday rate that is between the weekday and weekend rates.
- As we are observing across the nation, fewer rounds in the greater Los Angeles market, especially among mid-to-high end daily fees, are being sold at rack rates. There is a myriad of ways that fees are being discounted during non-peak demand times. In addition to everyday discounts for juniors, seniors, etc., many clubs (and multi-course operators such as American Golf) have loyalty / frequent player programs and active internal yield management programs that include sending out special promotions to their email databases. Additionally, internet wholesalers such as *GolfNow.com* are playing a larger role in moving unsold tee times in this market.
- As a result of the increase in discounting, growth in average green fee revenues per round has flattened for lower fee facilities such as DeBell, and likely declined for higher priced daily fee clubs that have been able to maintain play levels only by selling fewer rack rounds in recent years.

## Rounds Played

- As we noted earlier in our regional overview, and as was the case with nearly every golf market across the U.S., the greater Los Angeles area experienced a significant decline in rounds played per 18 holes between the middle and late 1990s and the early to mid 2000s, largely due to a significant increase in golf course supply noted previously. The decline in per-course activity levels in this and other markets is also attributed to economic conditions, a fall in discretionary income, and a significant drop in corporate travel and overall spending.
- Average rounds played per 18 holes (excluding DeBell) among the key competitors in FY 2010 was just under 67,000, and just under 69,000 for the regulation length facilities (excluding Scholl Canyon).
- The County’s Knollwood Golf Club, with a reported 87,000 rounds in FY 10, was the most active facility per 18 holes, followed by Griffith Park (Harding/Wilson), which averaged about 72,000 rounds per 18 holes, and Brookside (66,700).
- The decrease in rounds at DeBell GC was discussed earlier in this report, and we note the decline for the City of Los Angeles and County of Los Angeles systems later in this section. Other examples of significant decreases in rounds played in this regional market include:
  - The City of Ventura’s 36-hole system has dropped 22.5% from its 173,000 rounds in 2001, though both Olivas Links and Buena Ventura have undergone subsequent renovations that placed them at a higher price point.
  - Santa Barbara Golf Club has dropped nearly 16,000 rounds since 2007. This represents a 20% decline over four years, and the City reports that rounds

have declined by an average of about 5% annually going back to the early 2000s.

- The City of Alhambra's 18-hole golf course has dropped more than 9,000 rounds since 2007, a decline of 11%.
- Encinitas Ranch GC has lost 25% of its play since peaking in the low 70,000s in the early part of the decade.
- San Clemente Golf Course has dropped 9% since topping 100,000 rounds in 2001.

## City of Los Angeles Golf System

Most of DeBell GC's competition comes from several of the City of Los Angeles municipal golf courses, as identified earlier in this section. As such, in this section we provide an overview of the Los Angeles system and how it has fared in recent years. The City of Los Angeles municipal golf system, one of the largest in the country, comprises seven regulation 18-hole layouts, one 9-hole regulation course, two 9-hole executive courses, and two 9-hole par 3 tracks. These facilities (listed below), as well as Holmby Park and Tregnan Junior Golf Academy, are owned by the City and overseen through the Department of Recreation and Parks, Golf Divisions.

- 27-hole Rancho Park (18-hole regulation, 9-hole par-3)
- 36-hole Griffith Park (18-hole regulation Wilson, 18-hole regulation Harding)
- 36-hole Sepulveda (18-hole regulation Encino, 18-hole regulation Balboa)
- Woodley Lakes (18-hole regulation)
- Hansen Dam (18-hole regulation)
- Harbor Park (9-hole regulation)
- Penmar (9-hole executive)
- Roosevelt (9-hole executive)
- Los Feliz (9-hole par-3)

The City receives 100 percent of the green, cart and reservation card fees, as well as a percentage of the applicable (driving range, pro shop merchandise, lessons, and food and beverage) gross revenues. The City Recreation and Parks Department maintains all of the golf courses, and provides reservations, starting and greens fees collection services at each course. As of January 2011, the City assumed control of the cart operations. Please see **Appendix F** for a summary of the concession agreement terms for some of the L.A. City courses that are key competitors to DeBell GC.

Municipal golf operating models that involve multiple vendors often create conflicts of interest, ultimately resulting in inconsistent service to golf consumers. In addition, profits must be realized by several entities rather than just one. The City of Los Angeles has suffered from some of the natural weaknesses of the current model; problems have recently been exacerbated by some disgruntled concessionaires (those at Rancho Park and Woodley Lakes have recently left, leaving only the starter shack open), who have suffered with the significant play declines precipitated largely by large fee increases in FY 2011. As a result, the Department of Recreation and Parks is in the process of evaluating alternative forms of management and operating models for the golf system.

According to the report *"Evaluation of Operating Options, Los Angeles Municipal Golf Course System"*, prepared by Tom Frost Golf, Inc. in September 2011, annual play on the City's regulation length 18-hole courses declined by 14% between FY 2000 and FY 2010, compared

with a 9% decline for the County of Los Angeles' twelve regulation length courses. Approximately 83% of rounds in the city system come from residents (81% on the regulation length courses), with most of the balance coming from other L.A. County residents. Among DeBell GC's key competitors, resident play ranges from 79% at Hansen Dam to 89% at Woodley Lakes.

The table on the following page provides summary operating data for the Los Angeles system over the FY 10 – FY 11 period, with information derived from the *"Evaluation of Operating Options, Los Angeles Municipal Golf Course System"* report cited above. NGF's summary observations:

- FY2011 rounds played for the entire system declined by 12%, while play on the regulation length golf courses declined by 15%. (By comparison, the decrease for the Los Angeles County golf system was 3% for the same time period). Rounds decreases were likely due primarily to the impact on demand from significant fee increases implemented for FY 11, and exacerbated by an unusually high number of rain days in the greater Los Angeles area.
- Some of DeBell's key competitors suffered the greatest declines, with Woodley Lakes and Griffith Park (Harding/Wilson) losing about 19% of play, Hansen Dam about 20%, and Sepulveda (Encino/Balboa) 15%. Rancho Park 18, which is located on the other side of the Hollywood Hills and is not considered a direct competitor to DeBell GC, lost about 6% of its rounds, but saw green fee revenues *increase* by nearly 14%.
- Despite the significant drop in rounds for FY2011, total system green fee revenues declined by only 2.3%. The decline in green fee revenues was smaller (1.2%) for the seven regulation length golf courses. However, the rounds decline has resulted in reduced vendor revenue and rents, as well as unrest among some of the vendors.
- Overall, annual revenue accruing to the City over the past five years has remained relatively level despite rounds declines, largely due to fee increases.
- The City of L.A. golf system generated nearly \$30 million in total facility gross revenues in FY 2011, while gross revenues from the City perspective were nearly \$22.8 million. Utilizing FY 2012 budget numbers as a proxy for operating expenses, the City netted nearly \$4 million before the City "CAP" charge (see below), capital spending, and distribution to Recreation and Parks (RAC).
- The City's Cost Allocation Plan (CAP) assessment to the Golf Fund comprises direct employee benefits and Citywide overhead. The "CAP" rate that is applied to direct labor expenses to determine "indirect costs" is established by the City Controller's Office and includes costs such as employee benefits, payroll taxes, liability self-insurance, citywide overhead functions, and maintenance equipment capital and repair charge. The budgeted charge for FY 12 is \$3.295 million.

**City of Los Angeles Golf System FY 2011 (000)**

<b>Facility</b>	<b>FY 2011 Rounds</b>	<b>% Change</b>	<b>FY 2011 Green Fees</b>	<b>% Change</b>	<b>Cart Rentals</b>	<b>Practice Range/ Pro Shop</b>	<b>Food &amp; Beverage</b>	<b>Lessons/ Other</b>	<b>Total Revenues</b>
Griffith Park	143.8	-19.3%	\$4,353	-3.0%	\$808	\$799	\$945	\$104	\$7,009
Hansen Dam	66.0	-20.2%	\$1,786	-6.3%	\$462	\$491	\$417	\$58	\$3,214
Harbor Park	95.5	-6.6%	\$1,434	-7.2%	\$181	--	--	--	\$1,615
Los Feliz	40.3	-5.3%	\$219	-6.8%	--	--	\$310	--	\$529
Roosevelt	75.2	-4.1%	\$1,038	-5.1%	--	--	\$170	--	\$1,208
Penmar	91.3	-3.7%	\$1,324	-3.5%	--	--	\$120	\$19	\$1,463
Rancho Park-18	97.7	-5.9%	\$2,884	13.8%	\$495	\$1,055	\$673	\$60	\$5,167
Sepulveda	125.9	-15.1%	\$3,283	-4.0%	\$682	\$517	\$814	\$37	\$5,333
Woodley Lakes	62.4	-18.7%	\$1,670	-7.2%	\$399	\$303	\$315	\$133	\$2,820
Rancho-9	48.3	-4.7%	\$316	-6.6%	--	--	--	--	\$316
Holmby	3.8	-40.1%	\$11	-42.7%	--	--	--	--	\$11
Tregnan/Other	--	--	--	--	--	--	--	\$457	\$457
Reservations	--	--	--	--	--	--	--	\$326	\$326
<b>Total Rounds and Gross Facility Rev.</b>	<b>850.2</b>	<b>-12.0%</b>	<b>\$18,318</b>	<b>-2.3%</b>	<b>\$3,027</b>	<b>\$3,165</b>	<b>\$3,764</b>	<b>\$1,194</b>	<b>\$29,468</b>
<b>Total Gross Revenue to City</b>			<b>\$18,318</b>		<b>\$2,208</b>	<b>\$785</b>	<b>\$290</b>	<b>\$1,174</b>	<b>\$22,775</b>
<b>Estimated City Operating Expenses</b>									<b>\$18,850</b>
<b>Estimated Net Operating Revenue (before CAP, CIP, Distribution to RAC)</b>									<b>\$3,925</b>
Cost Allocation Plan Budget FY 2012									\$3,295
Distribution to Recreation & Parks FY 12									<u>\$1,000</u>
<b>Total Other Charges FY 12</b>									<b>\$4,295</b>
Operating Expenses, CAP est. based on FY 11-12 budget									



## SOUTHERN CALIFORNIA MUNICIPAL GOLF COMPARISONS

The NGF has prepared a review of several other Southern California municipal golf systems for comparison to the City of Burbank and the DeBell GC. A summary of various key operating data is contained in the tables that follow below, with a summary of systems by structure (management contracts, concessions and leases), as well as a review of key operating metrics such as allocated overhead charges and utilities expense. The information was collected by NGF as part of this consulting engagement. This list of systems is believed to represent a “reasonable comparison” to the City of Burbank based on the presence in the broader market area and municipal operation. The municipalities reviewed include the cities of Los Angeles, Santa Barbara, Pasadena, Thousand Oaks and Ventura, among other local comparables, including several facilities that are noted as key market competition to the DeBell GC. The following table displays the results of key aspects of each golf system’s performance in 2010 (unless otherwise noted).

### Benchmarking Summary by Operating Structure

The tables below illustrate summary operating information and agreement terms, to extent available, for a subset of southern California municipal golf systems. The tables that follow display key metrics of operation for municipal golf systems under management contract, concessions and lease arrangements. (Terms for several of the L.A. City golf courses that compete with DeBell GC are summarized and presented in **Appendix F**). Much of this information was obtained through the individual municipalities’ Comprehensive Annual Financial Reports and through interviews with municipal staff.

## Management Contract

Management Contract							
Municipality:	Carlsbad	Encinitas Ranch Golf Authority	La Quinta (FY 11)	Yorba Linda	Thousand Oaks	City of Ventura	Oxnard Recreation Services (FY 09)
Facility Names	Crossings at Carlsbad	Encinitas Ranch GC	SilverRock Resort	Black Gold	Los Robles Greens GC	Olivas Links, Buenaventura GC	River Ridge GC
# / Type Holes	18 Reg.	18 Reg.	18 Reg.	18 Reg.	18 Reg.	36 Reg.	36 Reg.
Rounds Played	41,569	58,000	45,269	50,000	82,000	134,000	75,300
Total Operating Revenue	\$5,624,646	\$4,300,000	\$3,705,126	\$5,314,506	\$5,241,723	\$4,620,035	\$4,398,074
Total Operating Expense (Excl. Debt, Depr.)	\$6,263,817	\$2,956,000	\$3,442,093	\$4,550,888	\$4,462,422	\$3,811,604	\$4,257,033
Operating Net	(\$639,171)	\$1,344,000	\$263,033	\$763,618	\$779,301	\$808,431	\$141,041
Debt Service	\$2,185,132	\$956,000	\$0	\$1,258,403	n/a	\$1,029,642	\$978,582
Net Income After Debt	(\$2,824,303)	\$388,000	\$263,033	(\$494,785)	n/a	(\$221,211)	(\$837,541)
Depreciation	\$3,477,728	\$953,000	Incl. in Oper. Exp.; unknown	\$926,538	\$487,150	\$917,208	\$82,025
Allocated Overhead/Charges for Gen. Fund Svcs.	n/a	n/a	n/a	n/a	n/a	\$160,000	\$158,504
Terms	n/a	Base management fee \$162K plus 0.75% gross rev. plus \$24K accounting services reimbursement (\$228K total in FY10). Separate F&B lease @ 20% gross.	City maintenance; Separate F&B lease (same operators); profits charged against \$90K mgmt fee.	Management fee \$195,000 plus 5% gross above \$5.8 M (subject to max of 25% of fixed fee.	\$100,000/yr. base (2% per yr. CPI adj.) + 12% of NOI if above \$800K, 10% if below. Also reimbursed for accounting svcs.	\$150,000 + 5% of gross above \$4.8M.	Management Agreement - Vendor and City share in net profits; no min. fee

## Concessions

Concession						
Municipality:	Burbank (FY 2011)	Anaheim	Alhambra	Santa Barbara (FY 2011)	San Clemente	Rancho Simi Rec & Park District
Facility Names	DeBell	Dad Miller, Anaheim Hills	Alhambra GC	Santa Barbara Golf Club	San Clemente Golf Course	Simi Hills, Sinaloa
# / Type Holes	18R, 9P	36R	18R	18R	18R	18R, 9P
Rounds Played	52,281	110,000	72,029	62,800	91,834	75,000
Total City Operating Revenue	\$1,733,222	\$5,151,894	\$1,805,396	\$1,902,279	\$2,267,445	\$3,260,797
Total City Operating Expense (Excl. Debt, Depr., Capital)	\$2,022,176	\$3,860,000	\$1,175,228	\$1,798,658	\$1,805,781	\$2,392,192
Operating Net	(\$288,954)	\$1,291,894	\$630,168	\$103,621	\$461,664	\$868,605
Debt Service	\$125,000	\$500,000	\$0	\$83,354	\$0	\$0
Net Income After Debt	(\$413,954)	\$791,894	\$630,168	\$20,267	\$461,664	\$868,605
Depreciation	\$564,399	Incl. in Oper. Exp.; unknown	\$60,853	\$111,761	\$324,423	n/a
Allocated Overhead/Charges for Gen. Fund Svcs.	\$484,956	\$106,000	\$216,019	\$253,890	\$300,000	n/a
<b>Terms</b>	\$149K management fee. Pro Shop operator gets 10% carts, 5% green fees, City gets 25% range, 5% shop, and operator owns all lessons. F&B: City gets 10% food / beverage, 12% alcohol, and 3% total F&B for capital improvement fund.	\$150K management fee. Operator gets: 20% carts, 15% green fees; 51% range up to \$400K; 40% range over \$400K; 94% merchandise. City gets 5% F&B rev.	\$4,268/mo. management fee. Operator pays City: Golf Carts 10% <\$100K; 25% \$100-\$200K; 35% \$200- \$300K; 0% \$300-\$306K; 40% \$306K+. Merchandise 4%. Range 20% - 45% depending on rev.; also Private Mtce.	Operator pays City \$150,000 minimum; carts 36%; range 36%; Merchandise, lessons, rentals 5%. F&B separate operator \$75,500 base rent + 10%.	Operator pays City carts 24% (goes up 2%/yr, max 30%); range 25%; lessons 10%; merchandise 5%; repairs 20%. F&B 6% gross w/ minimum \$5K/mo.	District self- operates and maintains w/ exception of F&B lease. Rents collected in FY 2010 were \$46,111
Figures are for FY 2010 unless otherwise specified.						

## Leases

Operating Lease				
Municipality:	Pasadena	Costa Mesa	Garden Grove	Glendale
Facility Names	Brookside GC	Costa Mesa CC	Willowick GC	Scholl Canyon GC
# / Type Holes	36R	36R	18R	18E
Rounds Played FY 2010	133,400	n/a	n/a	55,000
Total Lease Payments	\$2,304,458	\$266,644	\$568,694	\$150,000
Total Expense	\$821,327 <sup>1</sup>	\$563,268	\$43,947	\$0
Net Income	\$1,483,131	(\$296,624)	\$524,747	\$150,000
Depreciation	\$215,518	n/a	n/a	n/a
<b>Terms</b>	28.5% of gross Golf revenue; min. rent \$1,825,000/yr; starting Yr 4, \$1,825M or 80% of the avg rent paid over prior 3 years; CIP: 9.5% gross Golf revenue; F&B: 13% of gross revenue day-to-day; 15% of gross rev UCLA games; 20% gross rev all Rose Bowl Events	City gets 33% golf revenues; 11% F&B; 6% merchandise; 5% total gross to CIP. Lessee made \$2.2M initial investment in 1992	n/a	Base rent \$100K + 5% gross > \$1.25M, years 6-10; \$150K + 2% gross > \$1.25M, years 11-30; \$200K + 6.5% gross > \$1.25M, years 31-40.
1 - \$283,271 revenue offset relating to 1% of tournament green fees ("wash" to RBOC, revenue to City. Balance is 25% of key ROBC salaries; utilities; G&A; capital exp.; consultants				

## Benchmarking Summary of Key Charges/Expenses

The tables that follow display key metrics of operation for municipal golf systems including the cost of allocated City services (referred to as “services of other departments” in Burbank) and total utilities expense.

### Cost Allocation

Cost Allocation / Interfund Charges							
Municipality	# of Holes	Total Revenues to Municipality	Total Exp Excluding Debt, Depr	Cost Allocation	Per Hole	As % of Total Revenue	As % of Total Oper. Exp.
Burbank	18	\$1,733,222	\$2,022,176	\$484,956	\$26,942	28.0%	24.0%
Alhambra	18	\$1,805,396	\$1,175,228	\$216,019	\$12,001	12.0%	18.4%
Anaheim	36	\$5,151,894	\$3,860,000	\$106,000	\$2,944	2.1%	2.7%
City of Ventura	36	\$4,620,035	\$3,811,604	\$160,000	\$4,444	3.5%	4.2%
City of Los Angeles	171	\$22,775,000	\$22,145,000	\$3,200,000	\$18,713	14.1%	14.5%
Oxnard	36	\$4,398,074	\$4,257,033	\$158,504	\$4,403	3.6%	3.7%
San Clemente	18	\$2,267,445	\$1,805,781	\$300,000	\$16,667	13.2%	16.6%
Santa Barbara	18	\$1,902,279	\$1,798,658	\$162,700	\$9,039	8.6%	9.0%
Source: Comprehensive Annual Financial Reports and NGF interviews; figures for Los Angeles, Thousand Oaks, and Oxnard from Tom Frost report; City of Los Angeles figures are extrapolated from Tom Frost report							

## Utilities

### Utilities Expense (Water/Electric)

Municipality	# of Holes	Total Annual Utilities Expense*	Total Annual Water Cost	Water Source	Water Use (Acre Foot)	Water Rate per Acre Foot	Water Cost Per Hole	Total Utilities Expense per Hole
Burbank	18	\$384,534	\$238,757	Reclaimed	244	\$978	\$13,264	\$21,363
Alhambra	18	\$250,755	\$200,273	N/A	N/A	N/A	\$11,126	\$13,931
Anaheim	36	\$390,000	\$250,000	Well/City	N/A	N/A	\$6,944	\$10,833
City of Ventura	36	N/A	\$118,664	Reclaimed	538	\$221	\$3,296	N/A
La Quinta	18	\$81,811	\$49,472	All-American Canal	N/A	N/A	\$2,748	\$4,545
Oxnard	36	\$312,000	\$110,000	Wells <sup>1</sup>	700	\$157	\$3,056	\$8,667
Pasadena <sup>2</sup>	36	N/A	\$850,000	City Potable	630	\$1,349	\$23,611	N/A
Rancho Simi	27	\$575,291	\$493,000	N/A	N/A	N/A	\$18,259	\$21,307
San Clemente	18	N/A	\$250,000	<sup>3</sup>	177	\$1,412	\$13,889	N/A
Santa Barbara	18	\$156,000	\$153,000	N/A	N/A	N/A	\$8,500	\$8,667

\*Total Annual Utilities Expense is for most recent complete year available and includes water and electric.

1 Converting to reclaimed this year; expect similar total cost but with no use restrictions

2 Lessee pays for water

3 Potable is used on greens and surrounds, reclaimed on rest; ~75% of cost is for reclaimed; water rate shown is for total water usage – cost for reclaimed only was \$1,110

Source: Comprehensive Annual Financial Reports and NGF interviews

## Key Findings – Benchmarking Analysis

The data collected shows the following key points on these regional municipal golf systems:

- Management Contracts** – Six of the seven municipalities surveyed using a management contract showed operational profit, with only the City of Carlsbad not meeting this threshold. After debt service is included, only two of the six systems that provided information were still showing profit (Encinitas and La Quinta). None of the systems generated enough revenue to cover all expenses, including depreciation. The terms of the management agreements tended to fall between \$100,000 and \$195,000 in fixed annual management fee, plus some incentives. It was a mix of systems in whether the food and beverage operation was included in the management agreement.
- Concessions** – In review of municipal golf systems structured with concession agreements, only the City of Burbank is losing money on operations. The allocated overhead charges for Burbank range from 1.6 to 4.5 times higher than the profiled municipalities (more about overhead allocation below). The revenue sharing arrangements are varied in this group, and two of the five other subject municipalities pay, as does Burbank, a management fee to the pro shop vendor. It does appear that all revenue sharing arrangements are going in one direction, with either the City paying the vendor or the vendor paying the City as per agreement.

- **Leases** – There is a much smaller group of municipalities under a lease system, although there is still wide variation in structure and performance. These agreements are typically for longer term and in some cases the lessee has made capital investment (Costa Mesa). The City of Glendale reports no expense in golf at all, just collecting a \$150,000 lease payment. The City of Pasadena reports collecting upwards of \$2.3 million in lease payment, with about \$820,000 in expenses (\$1.4 million profit).
- **Allocated Overhead Expense** – The City of Burbank has the highest allocated overhead cost per hole of any municipality providing data to be reviewed by NGF for this study. Area cities with only 18 holes and comparable revenues like Alhambra and Santa Barbara have allocated expenses to the golf funds at a rate less than 45% of Burbank (in 2011). When reviewed as a percent of revenue the story is even more drastic as Burbank’s allocation for “services of other departments” is 28% of total revenue, with the next highest system being the City of L.A. at 14%. This equates to roughly \$15.93 revenue per round, just to pay for allocated City charges. The allocated overhead charge on the DeBell Golf Fund represents over 24% of total expenses on the facility, much higher than any of the other municipalities shown.
- **Total Utilities** –In terms of total utilities (water plus electric) expense, DeBell GC was considerably higher than five of the six other regional municipal golf courses/systems (Burbank and Rancho Simi were about the same). Water costs at DeBell were at the high end of the scale in terms of per-hole costs, but more towards the middle of the smaller sample for which we also had costs on a per acre foot basis (more detail later in report).
- **Water Expense / Use** - On a per-hole basis, Burbank’s total water costs were considerably higher than at 5 of 9 regional systems for which data was collected, similar to 2 others (Alhambra, San Clemente), and considerably lower than Pasadena (lessee pays cost) and Rancho Simi. Other findings on water expense and use:
  - Though there is a smaller sample size that supplied water use (acre foot) data, DeBell GC appears to be at the lower end of the scale, even when adjusting for the fact that Ventura, Oxnard, and Pasadena are 36-hole operations.
  - NGF was able to collect water rate (per acre foot) data for five municipalities. At \$978 per acre foot, Burbank fell in the middle between the City of Ventura and Oxnard, which were at \$221 and \$157, respectively, and the City of Pasadena and City of San Clemente (\$1,349 and \$1,412, respectively).
  - The City of San Clemente is an interesting case. While the cost for reclaimed water was \$1,110 per acre foot (flat, regardless of usage) in FY 2010 and FY 2011, rates have been renegotiated to a tiered structure. In the future, the golf course will be charged \$900 for usage between 0 and 188 acre feet, \$800 for usage between 189 and 200, and \$650 for usage of 201 and above. When golf course management decided to cut back on the number of irrigated acres, the Water Department began running budget shortfalls. Recognizing that they had no one else to sell to (excess was sent to ocean), the Water Department was amenable to lowering the golf course’s rates.



## **Other Regional General Fund Golf Operations**

There are two multi-facility municipal golf operations in the greater Los Angeles area that have similar operating models and are operated not as enterprise funds, but out of the general funds of the respective municipalities:

### **Los Angeles County**

The Los Angeles County golf system comprises 17 total golf facilities, including twelve 18-hole regulation courses and one 27-hole regulation facility. These facilities are operated through a series of lease agreements, which reportedly generate about \$15 million in annual rent payments to the County. The County has at least three administrative positions assigned to oversight of these contracts, including the Golf Program Director and two assistant directors.

### **City of Long Beach**

The City of Long's 5-facility system comprises three 18-hole regulation courses – Skylinks, Recreation Park, and El Dorado Park, the 18-hole executive length Heartwell GC, and the Recreation Park 9-hole executive track. These facilities accounted for about 421,000 rounds in calendar year 2011, with an average of about 90,000 for the 18-hole tracks. Rounds at Recreation Park were just under 100,000, down about 11,000 from prior year, while rounds at El Dorado were about 82,600, down 6,300 from 2010.

For Fiscal Year 2011, the city collected nearly \$4.6 million in rents from the operating leases, most of which were initially entered into in the mid 1980s (with subsequent extensions based on revisions to terms). The city does not charge expenses against the revenues from golf operations. The minimum guaranteed annual rent is \$4.5 million. Percentage rents to the city are 30% of green fees, an additional 10% of green fees for CIP, 35% of carts, 30% of range, 8% of food & beverage and merchandise, and 6% of lessons. Like the City of Pasadena, neither Los Angeles County nor the City of Long Beach has Living Wage ordinances.

## GOLF MARKET SUMMARY

Some summary points about the overall market environment within which DeBell Golf Club is operating include:

- National trends in the golf industry are generally not favorable for operators of golf courses. The total number of “core” golfers is declining and total spending on golf is declining along with them. Similarly, the total number of golf facilities has expanded in the last ten years, leading to a decline in per-course rounds played and revenues collected. The NGF has also documented a rapid inflation in expenses to operate golf facilities nationwide.
- On the positive side, the NGF has observed a growing trend of golf facility closures, the result of which would be a more favorable environment for those golf facilities that survive. Among the keys to growth in golf activity will be increasing participation among minorities, females and attracting other new beginners to the game. Facilities like DeBell GC with its DeBell Par-3 and driving range can be helpful in meeting this challenge.
- The greater Los Angeles metro area and the City of Burbank in particular have many favorable attributes related to economic activity that can translate to high golf activity. High incomes and the presence of large employers typically translate to higher-than-average golf activity, potentially helping the DeBell Golf Club. Negative attributes include increasing traffic congestion, local recession, and numerous competitors serve to limit per-facility golf activity.
- The overall golf market in the Los Angeles metro area is large, with upwards of 22.5 million rounds of golf potential demanded at area golf courses, including 3.2 million in the local 10-mile DeBell Golf Club market alone. Overall participation in golf is predicted to be higher than average in the City of Burbank market, but actual participation may be slightly lower, at least in part due to recent economic realities.
- Along with an expected higher participation rate come lots of golf courses, including 8.5 new 18-hole equivalent courses added in the Los Angeles MSA since 2001 after an active 1996 to 2001. The overall ratio of households to golf courses is favorable in the Los Angeles market, but more is needed to stimulate greater activity from the inactive households as noted.
- The subject DeBell Golf Club has several facilities that stand out as offering the most direct competition. It appears that Hansen Dam GC and the Nay Course at Brookside GC represent the most comparable facilities based on price, quality and amenities offered. The DeBell Golf Club generally compares well to its immediate competition with a shorter, but more unique golf course experience and brand new modern clubhouse.
- The terms for operating agreements at municipal golf courses in this region are highly varied with many different structures and forms of compensation. The hybrid, multiple vendor operating structure of DeBell GC, while not common, is observed at other regional municipal golf operations.
- What did stand out as being “out-of-the-ordinary” was the total expenses for allocated overhead and utilities that are higher for Burbank than any of the other local area municipalities reviewed by NGF.

# Summary of NGF Consulting Recommendations

NGF Consulting has prepared a schedule of recommendations for the continued operation of the DeBell Golf Club. These recommendations have been organized into four main categories: (1) overall system vision; (2) basic oversight and structure; (3) physical enhancements; and (4) operational recommendations.

## RECOMMENDATIONS ON BASIC OVERSIGHT AND STRUCTURE

The NGF Consulting recommendation for the future operation of the DeBell Golf Club is based on our understanding of the economic performance of the facility and the City's need to maximize this performance. The following section summarizes the options available to the City of Burbank by presenting descriptions of the most typical operational structures for public sector golf facilities, as well as advantages, disadvantages and public policy implications of each. Before presenting the recommended management arrangement for the City's golf course, NGF Consulting has presented four basic options the City could consider for golf facility operations.

### Operational Considerations

These options, which are presented in order of most direct City involvement to the least City involvement, include:

1. **Self Operation.** Under this scenario, the City would operate the facilities under direct control of the Director of Park, Recreation Community Services and through an on-site Golf Manager who is a City employee.
2. **Concession Agreements.** Similar to a lease agreements and can come in several types or combinations. The key areas of operation include Pro Shop, Food and Beverage and/or Maintenance and would involve the City contracting for one, some, or all of these services. One subset of this concept includes:
  - a) **Multiple Concessions** (status quo for DeBell GC) A system in which the City creates multiple contract agreements for separate entities for each facet of the golf operation (pro shop, food / beverage, and maintenance). One key issue in this option is managing contracts and renewal decisions that do expire together (as with Burbank).
3. **Full-Service Management Contract.** Hire a management company to operate all aspects of the DeBell GC.
4. **Full Service Lease.** Lease the facility to a private operator in exchange for an annual (or monthly / quarterly) lease payment to the City.

Management contracts and operating leases are the most commonly used terms to describe a contract between a municipality and a private golf course operator. Each has significant differences, but also several common characteristics. A general discussion of each option, along with key advantages and disadvantages is presented in the following paragraphs.

## Option 1: Self-Operation by City

While self-operation gives the City the greatest control over golf operations, the City of Burbank would have to make significant changes in its operation to enact this option. The City of Burbank would have control over all employees, course maintenance, policies and procedures, hours of operation, fee schedules, and operating and capital budgets. All revenues would be available to pay for operating and maintaining the facilities. The City would have to obtain a liquor license to operate the restaurant/bar.

### Advantages of Self-Operation

- Direct City control of the assets.
- All workers are City employees.
- Full participation in upside revenue potential.
- Allows the option to convert program to another option at later date.

### Disadvantages of Self-Operation

- This option requires large-scale City administrative support for the operation.
- The City may lack necessary expertise in managing golf facilities, and would have to add staff for this purpose.
- All employees would be subject to City labor policies for wages, benefits (if applicable), termination policy, etc.
- City would have to acquire retail merchandise, liquor license, golf maintenance equipment and other key supplies and personnel not presently owned or employed by the City.
- Golf operation may experience fiscal loss and require subsidies from other departments (i.e., taxpayer support).

### Discussion and Policy Implications

Under this option, the City will have to be prepared to make a fundamental change to the operation of DeBell GC, add new staff to the City payroll, and make new investment in basic operating structure and equipment, rather than upgrades to improve revenue. Further, we note the structure is not common with other Southern California municipalities that operate golf facilities. Given the cost and structure of labor, it is very unlikely that this option will lead to economic performance that is improved over the present structure. However, we can note that the system would fit in with the public policy and community benefit of “providing affordable recreation to its citizens,” and preserve the access and programs in areas such as high school golf, beginner programs, senior discounts, winter passes, league programs, and the Club activities. It should also be noted that several of the disadvantages noted above (high City admin. Expense and covering fiscal losses) are already present in the structure in place today.

## Option 2: Concession Agreements

This form of agreement is similar to a lease agreement. However, a concession agreement usually involves granting a license to operate a facility rather than the right to occupy the premises. It is very common in the golf industry, especially in the food and beverage service area, and presently exists in all three functional areas of the DeBell GC operation. There are also pro shop maintenance agreements and golf course maintenance agreements.

### **Food and Beverage Concession**

The most common concession agreement at municipal golf courses nationwide and in California is the food and beverage concession. This agreement typically covers all aspects of food and beverage operations and is in place in many municipalities due to restrictions on public sector agencies holding liquor licenses. These agreements will typically involve the concessionaire owning all revenues and paying a share to the City (usually around 10% of gross revenue). The concessionaire is responsible for all direct expenses (cost of sales, labor, materials, etc.) and can sometimes add capital investment such as kitchen equipment. If banquets and other non-golf events are hosted at the facility the concessionaire would have rights to provide all food and beverage service, but concessionaire collection of room rental fees is not common.

### **Pro Shop Concession**

The second most typical concession agreement would be for the Pro Shop, including one or more of the cart, merchandise, lesson, and driving range revenue centers. The most common pro shop concession agreements usually involve the City owning all green fees and any other revenue centers tied to large capital investment (carts, range, etc.). Pro shop concessionaires will often own the merchandise and lesson operations, and then receive payment from the municipality for a share of certain pre-established City-owned revenue centers in order to cover direct expenses for overseeing golf operations. All money will typically flow in one direction with either the City collecting all revenue and paying the concessionaire, or vice-versa. Because of the short term of most pro shop concession agreements, there is little incentive for the concessionaire to make major investments.

### **Maintenance-Only Concession**

Another area of separate concessions is in maintenance-only contracts. In this case, the pro shop and food & beverage operations would operate under separate concession agreements, or by the City, but the City would privatize the maintenance function to another private entity. This model has become more common in certain areas of the country where labor costs for maintenance are increasing too rapidly to keep under control, or where maintenance staffs have been reduced significantly to reduce expense thereby reducing the overall quality of maintenance. Golf course maintenance, including associated labor, is almost universally the largest single line expense item on a golf course's operating budget. This is especially true in public sector golf operations, when employee wage and benefit costs are often significantly higher than in the private sector.

There are a number of companies that specialize in fixed-fee outsourced golf course maintenance, and these companies are able to offer considerable maintenance cost savings due to several reasons, foremost of which is the ability to employ cost-effective manpower and scheduling strategies, which most municipalities are constrained from doing. Additional savings are often achieved through the ability of the larger companies to leverage national purchasing agreements for equipment, materials, and supplies, and through other economies of scale.

### **Advantages of Concession Agreements**

- The City is generally removed from the day-to-day operation (in a pro shop concession) in exchange for green fees and a pre-determined percentage of other gross receipts.
- Concession agreements provide some control to the City for items such as pricing, marketing, and availability, but less control than a full service management contract or lease.
- The term of a concession agreement is typically shorter than an operating lease.

- In a maintenance-only contract the vendor will typically provide all maintenance equipment.
- The agreement(s) will typically include a reduction in labor expense (especially maintenance labor) with comparable quality.
- Flexibility – the City has the option to retain one or more of the elements of the operation, or remove one or more of the elements at each renewal period.
- The City can participate in upside revenue potential.

### Disadvantages of Concession Agreements

- Concession agreements do not provide guaranteed revenue to the municipality and the City will still be responsible for capital expenditures (**operating risk remains with the City**).
- Possible conflict between concessionaires when multiple concessions.
- Reduces opportunity to attract private capital.
- If contracts do not expire simultaneously the City may end up tied to a contractor for longer than truly desired.
- Contract enforcement still requires City staff time and overhead expense, although this should be reduced from the self-operation scenario.
- When multiple concessions are in place the City is paying multiple concession fees, each one of which includes a built-in profit for the concessionaire.

### Discussion and Policy Implications

The advantages to this type of arrangement are the City's relief of day-to-day operational responsibilities, yet still retain some control of the operation and keep some community service benefit. The system usually allows the ability to move labor expense onto a separate entity, not subject to City labor policies. The system can also help reduce a City's administration and overhead expense on the operation. However, in structures where there are multiple agreements (like DeBell) this is not always possible due to the requirements of managing multiple concessions and getting all involved "on the same page."

### Option 3: Full Service Management Contract

The primary goal of a management contract or management agreement is to provide a golf facility with a single experienced, professional operator to be responsible for all aspects of the golf facility program, thus relieving the owner (City) of this task. In a typical management contract, the municipality hires a firm that is charged with all management and maintenance responsibility. The municipality funds all capital improvements, and the management firm hires all employees. Because employees work for the management firm and not the City, payroll cost may be less (especially in California); thus, the operating expenses would be reduced from self-operation, and possibly from a multiple concession arrangement. Management fees paid as compensation in these agreements typically fall between three and six percent (3% to 6%) of total revenues, or approximately \$66,000 to \$132,000 for the DeBell Golf Club without F & B, and possibly as high as \$90,000 to \$180,000 if the full gross F & B is included.

### Advantages of Management Contracts

- The City is removed from day-to-day operation responsibilities in exchange for a payment of a pre-determined fee that may (or may not) include a percentage of gross revenues via formula. The full-service agreement should require less direct



City involvement than self-operation or concessions, thus reducing City overhead expense.

- The City can work with one single vendor for all aspects of the golf facility operation, and thus pay only one management fee with profit built in for the operator.
- Although the contract is full-service, the City can still benefit should the facility produce net earnings.
- Capture benefits of private sector wage and benefit structure.
- It is assumed that the company hired would have individuals to staff the facility that have experience and expertise in golf facility operations, and may also have the support of (sometimes national) a corporate network. Not only can this company provide help in operations and maintenance, but also in other areas such as marketing and merchandising.
- Opportunity to provide shorter term contracts.

### Disadvantages of Management Contracts

- Though this option offers the City more control than with an operating lease, it offers less control than concessions or self-operation.
- Unlike a lease, management contracts usually do not provide a guaranteed income for the owner (the City), but rather a guaranteed income for the management entity **(operating risk remains with the City)**.
- The City may lose some control of operations in regard to pricing and “community benefit” activities such as clubs, leagues, high schools, etc.
- Unless carefully structured, the management entity may not have an incentive to control expenses, as they flow through to the municipality.

### Discussion and Policy Implications

This is an option that is typically considered as a reaction to total system failure and the inability of City staff to either appropriately operate the golf course (management, marketing, maintenance, etc.), or control expenses. Still, under this option the total business risk would still lie with the City of Burbank, although it may be possible to reduce total City expense by paying one management fee as opposed to multiple management fees. It is also expected that any agreement of this type would have to include the food and beverage and banquet operations, as these elements are key to overall golf operations and would be desired by any private management agreement. Further, NGF notes that in the last few years the DeBell GC has experienced what can best be described as a “perfect storm” of events including a national recession, increasing competition, added debt, changing demographics, and poor weather, factors that would have affected any full-service operator as well as the present system.

### Option 4: Full Service Operating Lease

The primary goals of an operating lease are to relieve the golf course owner (City) of all operating concerns, to ensure a minimum rent payment to the City, and to improve and/or protect the asset. An operating lease is similar to a management contract in that the lessee, like the management firm, hires and fires all employees and is responsible for the day-to-day operation of the facility. The difference between the two is that the lessee would be committed to pay all operating expenses, supply equipment, and, typically, provide some capital for investment in the golf facility. The ability of the selected private vendor to have control over the labor resource at the facility, and not have to pay “municipal” wages and benefits, would be key



to making this arrangement work. These leases are typically for a longer term (longer than 10 years), especially when large lessee capital investment is involved.

In exchange for incurring all operating expenses and capital upkeep, the private lessee would receive most (if not all) of the revenue and pay the City either a flat payment (flat lease) or a percentage of revenue (percentage lease). It is assumed by NGF that the City of Burbank would require the lease payment to be at least equal to specific City expenses on the DeBell operation, such as services of other departments and debt service. It would be assumed that direct expenses for utilities would be borne by the new lessee. In today's golf economy, it is very unlikely the City will be able to find a private partner willing to pay that amount as many recent leases observed by NGF in the 2011 golf economy have been much closer to the \$100,000 per year range, excluding capital improvements.

### Advantages to Leasing

- **Burden of Risk.** If structured appropriately, leasing the facility to a private entity can shift the burden of operational risk to the lessee. This includes the risk associated with rapidly rising labor and other expenses, as well as potential continued downturns in rounds played and revenues. Barring a breach of the contract, the City could have a guaranteed net revenue stream. The only expenses remaining with the City will be those associated with administering the contract, oversight, and compliance.
- **Simplicity.** The City's day-to-day administration of DeBell GC could be significantly reduced or eliminated, thus reducing or eliminating the "services of other departments" City expense. (As with all privatized management options, the City should still have a person who has golf course expertise monitoring the operation and enforcing contract compliance).
- **Capital Improvements.** Depending on the relative attractiveness of the business opportunity to the private entity, the lease terms could require (or at least incentivize) the lessee to make, or at least contribute significantly to, needed capital improvements (i.e., improving irrigation, cart paths and driving range).
- **Maintenance Equipment.** The lessee would be responsible for providing maintenance equipment and golf carts, or could assume the balance of existing leases.
- **Reduce City Involvement.** Minimizes political influence with less direct involvement of the City in setting fees, policies, and practices.

### Disadvantages to Leasing

- **Control.** This lease option offers municipalities the least amount of control over the golf course operation, especially with regard to pricing and community benefits (leagues, clubs, high schools, etc.).
- **Profit Motive.** This is closely tied to the control issue. If not carefully executed, a lease arrangement may conflict with the objective of providing an affordable recreation activity for residents, as private interests (including maximizing return) can often be in opposition to public interests (such as providing a community service).
- **Revenue Constraint.** As would be expected when one party shares a disproportionately low share of the risk, the City would receive less of the upside revenue potential than it would with a management contract.

- **Long Term.** Leases are typically for a long term, especially if capital improvements are included in the lease terms. This makes it difficult to get out of the lease, should the municipality become displeased with the lessee's operation of the facility.
- **Down Market.** The lessee may be forced to cut maintenance expenses and/or raise fees if revenues do not meet expectations. Unexpected golf market downturns often lead to declines in property condition or the lessee seeking to renegotiate terms.

### Discussion and Policy Implications

While leasing of public sector golf facilities was popular in previous decades, its popularity waned in the 1990s as golf revenues were increasing and public agencies began to see what they thought were large sums in golf revenue going to an outside vendor and not being reinvested in the facility or going as profit to the municipality. However, since the turn of the 21<sup>st</sup> century, leases are coming back into fashion for municipal golf facilities, particularly in the 2009-2011 period of time, with public sector budget challenges. Leasing out the golf operations shifts the burden of operating risk to the private vendor, helps to reduce (or eliminate) large fiscal losses, and, in some cases, provides a guaranteed revenue stream to public agencies. In most cases, the vendor will also contribute to capital improvements.

Further, the City of Burbank will also have to consider other issues related to leasing that should be reviewed by City legal staff. NGF has noted the issues that were addressed in our meetings with Burbank City staff that should be considered in relation to a possible lease:

- **Length of Term.** The NGF review of policy in Burbank shows that the City would prefer a concession-type contract for the DeBell GC property not go beyond five years in length. If this is the case, the inclusion of any capital investment in the lease becomes less attractive to the private sector.
- **Park Property.** Further, the DeBell Golf Club sits on property that was deeded to the City for the purpose of "providing public golf." The City will have to explore whether a long-term lease would imply a changing of this use.

### Key Considerations for DeBell GC

If the City of Burbank were to decide to change the golf course operational structure, two key issues must be considered. These include identifying which structures fit within the Burbank culture and whether having one single entity become responsible all aspects of the golf facility, including food & beverage once the current contract expires.

### Fit With Burbank

The NGF Consulting review of the various operational considerations for the DeBell Golf Club shows that two of the four options presented are probably not the best fit for the City of Burbank and can be eliminated from further evaluation:

- **Long-Term Lease.** The NGF review of the lease option shows that leasing on a long term basis (over 5 years) is not desirable by the City, although NGF does note that the nearby Castaways is leased for a term longer than five years (25 years). Further review of these issues will be required if the City is to consider a lease option, as there clearly are "gray" areas in these considerations. Overall, it does not seem that the conditions at DeBell GC lend themselves to this sort of solution.

- **Self Operation.** This option will require the City to retain new City staff to manage, operate, and maintain the golf facility, as well as provide new equipment and supplies. It is certain that these expenses would be significant and would: (1) probably not produce net revenue improvement over the present operation; and (2) take funds away from needed capital investment such as irrigation, cart paths, or range improvements. The City would still be responsible for covering losses and making capital improvements (retain risk). Thus the self operation option is not likely to bring the City into a more favorable economic position than it is at present.

In light of this, NGF sees continuing the existing multiple agreement structure (with or without some changes), or some form of management agreement, as the two most appropriate options for the City going forward. However, NGF must also note that if the City opts to pursue a management agreement for the DeBell Golf Club, the key issues that must be addressed prior to making the evaluation include the issue of whether to include the food and beverage operation into the agreement, given that it is under contract through 2013.

### Discussion of Single Operator vs. Multiple Vendors

A secondary consideration is whether to have one single entity become responsible for all aspects of the golf facility, including the food & beverage operation once the current contract expires. There are no easy answers to this question, as there are as many qualitative factors to consider as there are quantitative factors. Experience tells us that each situation must be analyzed individually, and the potential risks, advantages and disadvantages considered before a decision is made, based on the variables involved. Below we present some potential advantages and disadvantages of the single versus multiple operator question, in the context of DeBell Golf Club.

#### Single Operator Advantages

- There are likely to be operating efficiencies and economies of scale with a single operator that is responsible for management, maintenance and food and beverage.
- One single entity equates to only one private sector entity seeking to profit from DeBell GC.
- Having a single, highly qualified operator results in full coherence and cohesiveness of all aspects of the operation, which helps facilitate management decisions and reduce redundancy.
- Poor performance in any one area will hurt the other areas, thus there is no incentive to “cut corners.”
- There may be purchasing efficiencies in the pro shop, maintenance area as well as food and beverage, especially with larger companies.
- Given the potentially high level of non-golf related F&B business at DeBell, a single operator can smooth competing interests between the golf shop and the restaurant related to issues such as parking, golfers being served adequately, and tournament facilitation.

#### Single Operator Disadvantages

- If the City ends up with a “bad” operator, the vendor can essentially bleed an operation dry by running the asset into the ground, losing the facility’s customer base, and leaving the municipality to deal with the aftermath.
- Some highly qualified companies do not specialize in covering all aspects of a golf operation (pro shop, maintenance and F & B), leaving a smaller universe of potential

partners. (For instance, ValleyCrest does not perform a management function, and SS GOLF does not specialize in golf course maintenance). Therefore, if such a company wanted to bid on a lease at DeBell, they might be moving outside their comfort zone by partnering in a joint venture with another company.

- A smaller company, even if qualified to do a good job, may not have access to purchasing efficiencies that result in lower green fees for the customer.
- Some management companies may consider food & beverage service at a golf course to be a necessity rather than an opportunity, and may have neither the desire nor expertise to do all that is necessary to sustain and build revenues, especially on the non-golf side of the business.

### **Multiple Concession Advantages**

- Continuity - as indicated by the results of the golfer survey, as well as interviews that NGF Consulting with various constituencies of DeBell, there is considerable goodwill (brand equity) built up in the pro shop, and the maintenance condition of DeBell has been strong in recent years (although not always over 25 years). Changing this could turn off the facility's core customers.
- In addition to goodwill, the existing pro shop and maintenance vendors have considerable institutional knowledge of DeBell.
- Can work best when all contracts are synchronized so as to renew or expire simultaneously.

### **Multiple Concession Disadvantages**

- There are sometimes going to be inherent conflicts between the pro shop, whose goal is to increase rounds and revenues, and the maintenance provider, whose considerations include the agronomic condition of the golf course, and the food and beverage vendor seeking to sell meals and beverages.
- If these conflicts are frequent and ongoing the City must act as intermediary; therefore, the level of oversight required at the City level may increase (as current).

## NGF Recommendation

NGF recommends that the City of Burbank change the operating structure of DeBell GC to a full-service management contract, covering all aspects of the facility operation (pro shop, maintenance, and food/beverage) beginning in FY2014. The contract should include a fixed fee, plus an additional incentive for revenues exceeding \$3.0 million for the total facility (all sources of DeBell revenue). The City should seek to have this in place when the present food and beverage agreement is concluded. In the interim, the City should either continue with its present agreements, or modify these agreements to simplify the operation. The modification may increase net revenue accruing to the City, while also allowing the City of Burbank to get a better understanding of the full revenue and expense structure of DeBell GC to prepare for the more substantive change to a full-service agreement.

The primary reasoning behind the NGF recommendation assumes the following key advantages over the present multiple agreement arrangement:

- **Reduce City Overhead.** This option should simplify the DeBell operation for the City and allow for reduced City involvement and thus a reduction in City allocations of “services of other departments” to a level closer to other Southern California municipalities that we have profiled for this effort.
- **Operating Efficiency.** There are likely to be operating efficiencies and economies of scale with a single operator that is responsible for management, maintenance and food and beverage. Having a single operator results in full coherence and cohesiveness of all aspects of the operation, thus reducing redundancy.
- **Consolidation.** This option allows for the consolidation of three contracts into one single contract covering all aspects of the facility. This change should streamline the DeBell operation, increase efficiencies at the facility and the City, and improve control over all aspects of the golfer experience. The City could (and should) encourage the present pro shop vendor and maintenance contractors to combine and form a single entity for this agreement to provide continuity.
- **Private Sector Profit.** The NGF has assumed that each of the three existing contracts has some level of profit built in for the contractor, which can be reduced to one profit under a single operator model. The operator will also have the profit incentive to increase revenues.
- **City Retain Control.** The City of Burbank will still be able to retain some control of the DeBell GC operation in terms of providing community service benefits such as high school golf, junior/senior discounts and an active league and club program, although it is expected that the level of control will diminish.
- **Shorter Term.** The City can continue with its preferred program of keeping agreements to five years or less.
- **Economies of Scale in Purchasing.** By combining all aspects of the operation under one contract, the structure should allow for improved purchasing practices and economies of scale.
- **Economic Impact.** The NGF expects that this structure will improve the overall economic performance of the DeBell GC Golf Fund (detailed analysis in the next section of this report). However, one key assumption that will drive the economic improvement will be a reduction in the “services of other departments” that is charged to the Golf Fund.

## SPECIFIC PHYSICAL RECOMMENDATIONS

In an effort to raise the quality of the golf course and help to improve performance, the City must be prepared to make some capital investment in the golf course. While the DeBell Golf Club was in good overall condition during the NGF visit, there are some upgrades that should be considered as a way to enhance revenue and/or reduce expense. These are outlined below:

### NGF Recommended DeBell Golf Club Improvements

The primary recommendation for physical improvements to the DeBell GC begins with the completion of a comprehensive Long Range Plan (LRP), which would ideally be completed by a member of the American Society of Golf Course Architects (ASGCA). This method is the most efficient and advantageous for the City in order to address areas of the course in a responsible format. In our review of the DeBell GC property, the NGF team identified a few areas that should be on a priority list of upgrades that should provide a boost to revenue or help reduce the expense. The main improvements we recommend for DeBell GC include the following:

- **Driving Range Upgrades:** Complete a program to upgrade lights on the driving range and/or repair/replace the range building.
- **Continuous Cart Paths:** By completing a full “wall-to-wall” cart path system, DeBell will be able to allow carts back on the course more quickly after rain and/or maintenance procedures, thus helping to increase rounds and revenue.
- **Upgrade the older and outdated irrigation heads** – replacing the older irrigation heads will help to reduce the volume of water used and reduce maintenance staff time in fixing problems.
- **Signage.** The City should add directional signs (in compliance with local ordinance) with the DeBell Golf Club logo at several key locations, including the I-5 interchange with Burbank Blvd., on existing City signage in and around the City complex on Olive avenue and the intersection of Walnut Av and Sunset Canyon Dr (improve existing sign). Be sure to note that the golf course is “open to the public
- **Tree Removal** – The City of Burbank should relax the one-for-one tree replacement policy and allow for some reduction in trees through natural causes. Other specific trees may be removed that are directly affecting the health of greens, and completed in conjunction with the LRP noted above.
- **Remove Old Cart Barn** – The City should remove/demolish the old cart barn rather than complete the seismic retrofit.
- **Tee Repairs:** Repairing problems with the tees on several holes (particularly par-3 holes) would help speed up play and add more rounds (revenue). This should be completed as an ongoing program and in conjunction with the LRP noted above.
- **Bunker Program** – The City should commit to repair of 3 or 4 bunkers each year until all 22 are upgraded in quality. This should be completed as an ongoing program and in conjunction with the LRP noted above.



## SPECIFIC OPERATIONAL RECOMMENDATIONS

After our review of the DeBell Golf Club, NGF Consulting has also offered a set of operating recommendations that the City should strive to have incorporated into the City golf program, regardless of management structure. We have observed that a new, more aggressive marketing attitude is taking hold in the last two years, although the City of Burbank may want to contribute/participate more in this effort in conjunction with the golf course operator. In all, NGF has observed a dedicated staff that is working to improve the physical and financial condition of this property for the City. Therefore, the NGF will not list all of the positive efforts already underway at DeBell GC, but rather note specific areas we recommend change or enhancement:

- **City Administration:** The City of Burbank should consider a plan to reduce the direct administrative responsibility for DeBell GC and thus reduce the “services of other departments” expense charged to the Golf Fund. This should be explored regardless of operation structure employed, and would involve a reduction in City staff time and responsibility for facility oversight, trusting more to the on-site management contractor.
- **Marketing Upgrades:** NGF recommends BOTH the City and SS GOLF work to improve the marketing and direct selling of DeBell GC. Specific upgrades include:
  - Improve the DeBell website to include more pictures, add a map/directions and add more information about non-golf events and banquets.
  - Enhance the direct selling of outings and tournaments to local businesses, organizations, and charitable organizations. Both through enhanced printed materials and direct selling, and involve all parties (City, golf manager, F & B manager, etc.).
  - Expand print advertising and include local foreign language publications (Korean, Spanish, etc.). Key Southern California publications that produce strong golfer readership include *Southland Golf Magazine*, the *LA Times* and the *Daily News*. Advertising in these publications often includes online advertisements as well.
  - Work to create a program to track the success of all advertising and promotions conducted at DeBell GC to gauge effectiveness.
  - Expand the program with GolfNow to increase the number of tee times available for sale, especially mid-week tee times.
- **Food and Beverage Concession:** NGF recommends the City do all it can to improve the working relationship with the F & B concessionaire and improve service to golfers. Specifically, the City should make sure:
  - The beverage cart schedule is set
  - The snack window is staffed when golfers are on the course
  - Work to increase “grab-n-go” items on the Clubhouse Grill menu
- **Improve F & B Marketing/Promotion:** Although this is the responsibility of the F & B concessionaire, the City and SS GOLF staff should work to both help Clubhouse Grill with marketing and also do more to market Clubhouse Grill on the City’s and DeBell Golf Club’s websites. Specifically, promotion and awareness of the site as an ideal venue for banquets, parties, weddings, etc. needs to be improved.



- **Staffing:** Regardless of the management structure, the City should ensure that the level of pro shop staff be maintained with at least 6.0 FTE's and include a Head Golf Professional, tournament manager, golf service staff and range attendants. Golf maintenance staff must continue to include a Class-A Superintendent and at least 9.0 FTE's in maintenance positions.
- **Leagues and Clubs:** City should make sure operator continues to promote the league and club programs at DeBell GC. Golf staff should consider moving the BMGA Saturday AM game to later on Saturday, or Friday to open up more "prime" tee times for other golfers, potentially leading to increased revenue. This should be coordinated in conjunction with the BMGA to see if it can be worked out without too much objection. The priority in this recommendation is to preserve the BMGA, thus their cooperation in this recommendation is important.

### DeBell GC Fee Recommendations

Given the recent decline in rounds activity, the NGF recommends very little change be made to the fee structure at the facility. A large increase in July 2009, followed by another increase in July 2010 has contributed (in part) to the decline in play at the facility and the need for increased use of discounters today. Further, we note the problems experienced by the City of Los Angeles with their recent fee increases and the large declines in rounds that followed. The table below shows the NGF recommended fees for DeBell GC.

<b>DeBell Golf Club – Recommended Green Fees</b>		
	<b>Current Rate</b>	<b>New Rate Beginning April 2012</b>
<b>Weekend / Holiday</b>		
18 Hole Non Res.	36.00	\$38.00
18 Hole Res.	27.00	\$29.00
9 Hole/TW Non Res.	21.00	\$22.00
9 Hole/TW Res.	16.00	\$17.00
SuperTwilight	12.00	\$13.00
<b>Weekday</b>		
18 Hole Non Res.	31.00	\$31.00
18 Hole Res.	22.00	\$24.00
9 Hole/TW Non Res.	14.00	\$14.00
9 Hole/TW Res.	19.00	\$19.00
18 H Non-Res. Senior	20.00	\$20.00
18 H Resident Senior	14.00	\$14.00
9 H/TW Non Res. Senior	12.00	\$12.00
9 H/TW Res. Senior	10.00	\$10.00
Junior	8.00	\$8.00
Resident Junior	0.00	\$0.00
SuperTwilight	10.00	\$10.00
<b>Other Charges</b>		
18-Hole Cart	\$14.00	\$15.00
9-Hole Cart	\$10.00	\$10.50

In short, the NGF is recommending minor changes, including:

- **Weekend / Holidays:** A \$2 increase in 18-hole weekend / holiday fees and a \$1 increase in 9-hole and twilight rates are recommended. This change should keep DeBell well below key competitors like Hansen Dam, Griffith Park, and Brookside, while allowing the facility to take advantage of strong demand.
- **Weekdays:** The weekday rates are essentially held “as-is” with increase only in the 18-hole resident rate in an effort to close the large gap (presently \$9) between resident and non-resident fees. This change should keep DeBell competitive with other key municipal golf competitors where Burbank residents pay non-resident rates like Hansen Dam, Griffith Park, and Brookside.
- **Carts:** Cart fees are increased \$1 for 18-holes and \$0.50 for 9-holes.

### DeBell Par-3 Considerations

The NGF review shows the DeBell Par-3 with operating performance very close to ‘break-even,’ and an estimated loss of around (\$10,000) for FY2011. The review shows that this loss on operation is lower than the loss on the full DeBell operation, indicating that the par-3 course is not adding materially to the economic problems experienced at DeBell GC. Still, the City could consider several options for the DeBell par-3, including:

- **Close DeBell Par-3:** The City could consider closing the DeBell Par-3 and seeking an alternate use for the property. The NGF was informed that the DeBell Par-3 property is not part of the deed restriction use for the DeBell 18 and thus could be altered to a different use, possibly even an alternate income-earning use such as commercial or residential. Further City study will be required to determine what property uses are allowable for this site, and/or if any such uses could be income producing.
- **Remove DeBell Par-3 from Golf Fund:** The City could opt to remove the DeBell par-3 from the Golf Fund and put the facility directly into the Parks Department and operate the facility solely as a community benefit.
- **Reconfigure the Site:** The City could opt to reconfigure the DeBell Par-3 site into a larger, 7-acre golf practice center with larger practice chipping and hitting areas and some full-length practice holes. This option would require considerable capital investment without a clear path for generating new revenue. It is likely that the maintenance requirement for the site would remain comparable to what exists today, thus the plan would not create savings in maintenance expense.

### NGF Recommendation

Considering the fact that the DeBell Par-3 appears popular with the Burbank community, the facility offers a nice complement to the DeBell GC offering, is helping to create new golfers in the community and is not a clear economic drain on the overall DeBell operation, the NGF recommendation is for no change to the DeBell Par-3 operation. The City should continue to operate the course with minimal investment (as-is) and seek to use the facility to help promote and grow golf in the community. This can be accomplished through increased programming and activities focused on the par-3 course, in conjunction with other lesson and group programs offered by the City and SS GOLF.

## NON-ECONOMIC BENEFITS OF MUNICIPAL GOLF

NGF Consulting has long noted and advocated the many benefits that a golf facility brings to a community. Among them:

- Provides a healthy recreational outlet for its residents
- Provides an outlet for charitable donations
- Provides an outlet for at-risk youth
- Enhances the overall quality of life in the City
- Reflects well on the image/brand of the City
- Creates golf-related jobs and income to the community through purchases, wages, and taxes

Additionally, a golf facility can elevate the quality of life, improve the business climate, and induce tourist traffic.

### Charitable Impacts

Golf courses have proven to be an especially great venue for raising money for local charities. The DeBell Golf Club has been especially active in this area hosting numerous events that have the potential for considerable charitable impact.

### At-Risk Youth

In addition to offering organized junior golf programs and free golf for local high schools, many municipalities offer highly discounted, or even free, programs for lower-income and/or at-risk youth. Though there may be no short-term financial benefit in doing this, the intangible benefits are obvious, as programs such as this have proven to help troubled kids by providing them with a healthy outlet that can become a lifelong interest or even passion. Golf has proven to be a diversion for lower-income and/or at-risk youth, as it has the potential to help troubled kids by providing them with a healthy outlet that can become a lifelong interest or even passion. Finally, there is likely to be long-term financial benefit to the City, as players are being cultivated as potential future customers.

### Minority Golf Participation

In 2003, the National Golf Foundation conducted a research study as part of *Golf 20/20's* Diversity Task Force, which is developing strategies for player development programs and other initiatives focused on women and minorities. The study found that the golf participation rate among minority populations was significantly lower than the overall U.S. golf participation rate.

The implications for Burbank and continuing golf operations is that it is imperative that the City initiate player development programs aimed at stimulating latent golf demand among all groups. This is not an easy task, as golf operators are fighting ingrained cultural perceptions and habits regarding entertainment / sporting choices. As a result, golf participation rates in these communities remain flat. Therefore, it will take a dedicated and concerted effort by the City of Burbank to grow the game in these communities.

# DeBell Golf Club

## Financial Projections

As part of this study effort, NGF Consulting has prepared an analysis to show what the potential economic performance of DeBell Golf Club could be considering the recommendations made in this report, and under various forms of operational structure. In this section, the facility's economic potential is evaluated with estimates of performance based on a set of assumptions that may or may not become reality. We feel that these estimates represent the best effort to create a "fair estimate of performance" for this facility based on our complete review of the operation. The DeBell GC performance is evaluated assuming: (1) continued 'as-is' operation with three separate contracts for maintenance, pro shop and food/beverage; (2) modified 'as-is' that retains the present structure of the food/beverage contract and changes the pro shop and maintenance agreements; and (3) operation with a new management contract with a single operator covering all aspects of the DeBell operation beginning in January 2014.

### BASIC INPUTS FOR REVENUE PROJECTIONS (2012 – 2017)

NGF Consulting has created a cash flow model for the continued operation of DeBell Golf Club under several structures as noted above, with the basic assumption of revenue performance held constant through all three scenarios. The assumptions that drive key revenue inputs include:

- The City of Burbank will complete the NGF recommended upgrades, both physical and marketing, to the DeBell facility over the next 2-3 years, regardless of operating structure. Marketing upgrades include web and email improvements, added print advertising, increased direct selling of tournaments and a continuation/expansion of discount programs like "GolfNow" now and Costco. Physical upgrades include the new range covering, cart paths, some irrigation upgrades, and modest tree thinning program.
- Total DeBell rounds are assumed to grow from just over 52,000 in FY2012 (already underway) to a stabilized level between 58,000 and 60,000 rounds per year after FY2013. NGF expects this to be the "new standard" expected rounds level for DeBell in the coming years. The rounds mix adjusts slightly with growth in "senior" and other discounted rounds, plus as much as 10% of total from a "click-for-tee-times" of "GolfNow" program. Cart rounds are assumed at the historical 74% of total rounds.
- DeBell Par-3 rounds are assumed at a constant 18,300 rounds per year.
- The NGF recommended fee structure is implemented beginning in January 2012, with two percent (2%) increases in all fees assumed every other year thereafter (2015 and 2017).
- Driving range revenue is increased by about 25% beginning in 2014 to reflect range upgrades recommended.
- All other ancillary revenue centers are assumed to hold to 2011-2012 average per round levels through the end of FY2017.

## Inputs

Utilizing the above assumptions and activity/revenue estimates, NGF Consulting has prepared a preliminary sketch pro forma for revenue performance for the next five years of operation. The inputs for the pro forma are summarized in the following table:

DeBell Golf Club – Basic Revenue Assumptions Projected Activity Inputs (2012-2017)						
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
<b>Weekend / Holiday</b>						
18 Hole Non Res.	6,000	6,400	6,600	6,600	6,600	6,600
18 Hole Res.	5,750	5,900	6,100	6,100	6,100	6,100
9 Hole/TW Non Res.	2,197	2,400	2,600	2,600	2,600	2,600
9 Hole/TW Res.	1,400	1,600	1,800	1,800	1,800	1,800
SuperTwilight	888	1,200	1,300	1,300	1,300	1,300
<b>Weekday</b>						
18 Hole Non Res.	3,600	3,800	3,900	3,900	3,900	3,900
18 Hole Res.	3,775	4,000	4,200	4,200	4,200	4,200
9 Hole/TW Non Res.	2,250	2,400	2,600	2,600	2,600	2,600
9 Hole/TW Res.	2,400	2,600	2,800	2,800	2,800	2,800
18 H Non-Res. Senior	1,950	2,200	2,400	2,400	2,400	2,400
18 H Resident Senior	7,500	7,700	7,800	7,900	8,000	8,000
9 H/TW Non Res. Senior	725	1,000	1,200	1,200	1,200	1,200
9 H/TW Res. Senior	1,666	1,800	2,000	2,100	2,200	2,300
Junior	666	800	900	900	900	900
Resident Junior	1,425	1,450	1,500	1,500	1,500	1,500
SuperTwilight	2,600	2,800	3,000	3,200	3,400	3,400
Tournament Fees	2,250	2,300	2,400	2,500	2,600	2,600
Click for TT/Golf Now	4,850	5,300	5,600	5,800	5,900	6,000
Replay Special	219	250	250	250	250	250
<b>TOTAL ROUNDS</b>	<b>52,111</b>	<b>55,900</b>	<b>58,950</b>	<b>59,650</b>	<b>60,250</b>	<b>60,450</b>
Par-3 Rounds	18,300	18,300	18,300	18,300	18,300	18,300
Cart Rounds	38,745	41,366	43,623	44,141	44,585	44,733

DeBell Golf Club – Basic Revenue Assumptions Projected Average Revenue Inputs (2012-2017)						
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
<b>Revenue Center</b>						
Carts	\$12.75	\$12.75	\$13.01	\$13.01	\$13.27	\$13.27
Par-3 Course	\$3.87	\$3.87	\$4.00	\$4.00	\$4.05	\$4.05
Driving Range	\$4.49	\$4.49	\$5.00	\$5.25	\$5.36	\$5.46
Pro Shop Merchandise	\$3.65	\$3.65	\$3.65	\$3.65	\$3.65	\$3.65
Repairs and Rentals	\$0.28	\$0.28	\$0.28	\$0.28	\$0.28	\$0.28
Tournament Fees / Gift Cards	\$1.67	\$1.67	\$1.67	\$1.67	\$1.67	\$1.67
Food	\$11.66	\$11.66	\$11.66	\$11.66	\$11.66	\$11.66
Liquor	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
F & B Misc.	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03
Lessons	\$1.37	\$1.37	\$1.37	\$1.37	\$1.37	\$1.37

## Projected DeBell Revenue (2012 – 2017)

Given the above inputs, the DeBell revenue estimate is shown in the table below. As this is a projection, all figures have been rounded to the nearest \$100 for simplicity.

<b>DeBell Golf Club – Projected Total Gross Revenue From All Sources (2012-2017)</b>						
	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
<b>Revenue Center</b>						
Green Fees	\$991,700	\$1,096,200	\$1,149,500	\$1,179,800	\$1,186,400	\$1,212,000
Par-3 Green Fees	70,800	70,800	73,200	73,200	74,100	74,100
Carts	494,000	527,400	567,300	574,100	591,400	593,400
Driving Range	234,000	251,000	294,800	313,200	322,600	330,200
Pro Shop Merchandise	190,200	204,000	215,200	217,700	219,900	220,600
Rentals and Repairs	14,500	15,600	16,400	16,600	16,800	16,800
Lessons	71,500	76,700	80,900	81,800	82,700	82,900
Tourn. Fees / Gift Cards	86,800	93,100	98,200	99,400	100,400	100,700
Food Sales	607,700	651,900	687,500	695,600	702,600	704,900
Liquor Sales	208,200	223,300	235,500	238,300	240,700	241,500
Misc. F & B	1,700	1,800	1,900	1,900	2,000	2,000
<b>Total Golf Course Revenues</b>	<b>\$2,971,100</b>	<b>\$3,211,800</b>	<b>\$3,420,400</b>	<b>\$3,491,600</b>	<b>\$3,539,600</b>	<b>\$3,579,100</b>

## Justifications for Revenue Projections

NGF Consulting believes the revenue projections created for DeBell Golf Club, under the assumptions noted above, are achievable based on our review of the facility and market. We base this assertion on the high quality of the facility, augmented slightly after the recommended changes, and the available capacity to grow rounds and return the facility to rounds totals approaching those achieved two years ago (2009).

NGF Consulting believes the revenue projections created for DeBell Golf Club, under the assumption of recommended changes being enacted, are achievable for the following reasons:

- Continued high quality of DeBell Golf Club.
- DeBell Golf Club is operating at rounds levels that are lower than actual capacity, and the facility has achieved rounds played levels close to what NGF Consulting is projecting as recently as 2009.
- Increased marketing emphasis to focus on electronic (internet) medium, along with more proactive direct selling of larger tournaments and events.
- Ability to regain market share as “lost” golfers return.
- Improved food & beverage operation and facilities, which will also enhance tournaments.
- Maintaining the lower fee structure keeping DeBell very competitive in the area market.
- Potential for regional economic recovery, resulting in increased discretionary income.

## PROJECTIONS BASED ON “AS-IS” OPERATION

The NGF revenue estimate has been combined with the present operating structure to provide a full estimate of DeBell GC performance for the next five years, assuming growth to approximately \$3.5 million in total gross facility revenue (from all sources) by 2015. This revenue would then be divided among the parties (City, SS GOLF, R & M agreements and ValleyCrest) based on existing contract structures.

### Key Assumptions

Other Base assumptions in preparing financial performance estimates include:

- The basic structure of existing vendor contracts remain in place through FY2017.
- The SS GOLF management fee is increased at 1.0% per year.
- Each component of the ValleyCrest contract is increased at 2.0% per year.
- Total utilities expense (paid to Burbank Water and Power) is increased at the historical 3.4% per year.
- Insurance expense increases at 3.5% per year.
- The City’s “services of other departments” is held to \$400,000 per year in FY2013, with 3.0 percent annual increases through FY2017.
- The City implements NGF recommended capital projects including cart path upgrades in 2012-2013, irrigation upgrades in 2013 and 2014, range enhancement in 2013, new signage in 2012 and 2013 and the bunker and bridge program for 2013-2017.

### Pro Forma Estimate for ‘As-Is w/Enhancement’ Scenario – FY2012 – FY2017

Utilizing the above assumptions and activity/revenue estimates, NGF Consulting has prepared a pro forma for the next five years of operation after FY2012 (already underway). The table shows that the total Golf Fund income could reduce the operational loss on DeBell GC, if revenue can increase to \$3.5 million through incorporation of NGF recommendations. However, even at this level of improvement, the DeBell GC operation does not earn enough to cover debt, depreciation, or capital expenditures and will require continued City support, in addition to the “services of other departments” already included in direct expenses. As this is a projection, all figures after FY2012 have been rounded to the nearest \$100 for simplicity.



**DeBell Golf Club – ‘As-Is w/Enhancement’ Scenario  
Projected Revenue and Expense Analysis**

<b>Golf Course Revenues</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Green Fees	\$991,700	\$1,096,200	\$1,149,500	\$1,179,800	\$1,186,400	\$1,212,000
Par-3 Green Fees	70,800	70,800	73,200	73,200	74,100	74,100
Carts	494,000	527,400	567,300	574,100	591,400	593,400
<b>Total Golf Course Revenues</b>	<b>\$1,556,500</b>	<b>\$1,694,400</b>	<b>\$1,790,000</b>	<b>\$1,827,100</b>	<b>\$1,851,900</b>	<b>\$1,879,500</b>
<b>Food and Beverage Concession</b>						
Food (10%)	\$60,770	\$65,200	\$68,800	\$69,600	\$70,300	\$70,500
Liquor (12%)	24,984	26,800	28,300	28,600	28,900	29,000
Cap Improvement	24,528	26,300	27,700	28,100	28,400	28,500
Beverage Cart	2,034	2,000	2,000	2,000	2,000	2,000
Misc. (50%)	850	900	1,000	1,000	1,000	1,000
<b>Total to City from F &amp; B</b>	<b>\$113,166</b>	<b>\$121,200</b>	<b>\$127,800</b>	<b>\$129,300</b>	<b>\$130,600</b>	<b>\$131,000</b>
<b>Pro Shop Agreement</b>						
Driving Range (25%)	\$58,500	\$62,800	\$73,700	\$78,300	\$80,700	\$82,600
Merchandise (5%)	9,510	10,200	10,800	10,900	11,000	11,000
Rentals + Repairs (5%)	725	800	800	800	800	800
<b>Total to City from Pro Shop</b>	<b>\$68,735</b>	<b>\$73,800</b>	<b>\$85,300</b>	<b>\$90,000</b>	<b>\$92,500</b>	<b>\$94,400</b>
<b>Total City Revenue DeBell GC</b>	<b>\$1,738,401</b>	<b>\$1,889,400</b>	<b>\$2,003,100</b>	<b>\$2,046,400</b>	<b>\$2,075,000</b>	<b>\$2,104,900</b>
<b>City Expenses</b>						
Utilities	\$400,438	\$414,100	\$428,200	\$442,800	\$457,900	\$473,500
18-Hole Maintenance	520,044	530,400	541,000	551,800	562,800	574,100
Par-3 Maintenance	49,008	50,000	51,000	52,000	53,000	54,100
Tree Maintenance	64,068	65,300	66,600	67,900	69,300	70,700
SS Management Fee	149,328	150,800	152,300	153,800	155,300	156,900
SS Green Fee %	53,125	58,400	61,100	62,700	63,000	64,300
SS Fee Carts	49,400	52,700	56,700	57,400	59,100	59,300
Cart Lease + Cart Maintenance	110,000	110,000	110,000	110,000	110,000	110,000
Insurance	41,303	42,700	44,200	45,700	47,300	49,000
Other	58,000	58,000	58,000	58,000	58,000	58,000
Elect., Plumbing, Custodial	80,600	80,600	80,600	80,600	80,600	80,600
Services from Other Dept	432,414	400,000	400,000	400,000	400,000	400,000
<b>Total City Expenses</b>	<b>\$2,007,728</b>	<b>\$2,013,000</b>	<b>\$2,049,700</b>	<b>\$2,082,700</b>	<b>\$2,116,300</b>	<b>\$2,150,500</b>
<b>Net Operating Income (Loss)</b>	<b>(\$269,327)</b>	<b>(\$123,600)</b>	<b>(\$46,600)</b>	<b>(\$36,300)</b>	<b>(\$41,300)</b>	<b>(\$45,600)</b>
<b>Total Capital Upgrade</b>	<b>\$82,000</b>	<b>\$222,000</b>	<b>\$35,000</b>	<b>\$32,500</b>	<b>\$5,000</b>	<b>\$7,500</b>
<b>Net Income after Capital (Loss)</b>	<b>(\$351,327)</b>	<b>(\$345,600)</b>	<b>(\$81,600)</b>	<b>(\$68,800)</b>	<b>(\$46,300)</b>	<b>(\$53,100)</b>

## PROJECTIONS BASED ON “MODIFIED AS-IS” OPERATION

A second scenario shows the NGF projection based on the same previous revenue inputs, coupled with an adjustment to the ValleyCrest agreement and the SS GOLF agreement, bringing much of the pro shop operation directly under City control. The adjusted agreement would continue the management fee to SS GOLF, but remove the various revenue sharing arrangements. The ValleyCrest contract is reduced by 8% beginning in March 2012 to reflect an updated offer from ValleyCrest (reduced 2.7% for the remainder of FY2012), and then increased at 2.0% per year from FY2014 through 2017. The agreement for food/beverage (R & M) would be continued as is. The result of this scenario would to streamline the pro shop operation under City control, while still retaining key SS GOLF positions like the Director of Golf.

### Key Assumptions

The key assumptions for this scenario include the previous revenue assumptions, plus all assumptions from the first scenario, except:

- The SS GOLF management fee is retained and increased at 1.0% per year.
- The City would own all revenue from lessons, repairs, rentals, tournament fees and gift cards, and be responsible for all direct expenses tied to these items.
- The City assumes responsibility for Pro Shop expenses through direct reimbursement to SS GOLF for expenses. All pro shop labor remains SS GOLF employees and not City employees (pass through expense).
- The City is responsible for direct cost of sales on the driving range and pro shop merchandise, including a one-time purchase of pro shop merchandise inventory (estimated at \$70,000 in December 2011).
- Direct SS GOLF expenses are reduced by 30% to reflect the replacement of Director of Golf Salary / benefits, plus a reduction of taxes, insurance, and other expenses. Expenses are increased at 2.5% per year through 2017.
- SS GOLF is paid an added incentive of 5% of all green and cart fee revenue over \$1.5 million (target grows at 1.0% per year).
- The City implements NGF recommended capital projects including cart path upgrades in 2012-2013, irrigation upgrades in 2013 and 2014, range enhancement in 2013, new signage in 2012 and 2013 and the bunker and bridge program for 2013-2017.

### Pro Forma Estimate for ‘Modified As-Is’ Scenario – FY2012 – FY2017

Assuming the above inputs and activity/revenue estimates, modifying the SS GOLF management agreement will put the City in an improved position, although this improvement is still not enough to cover the capital upgrades proposed by NGF until 2015. After that period and assuming revenues can grow to \$3.5 million (from all sources), the City should be able to maintain a position of positive net revenue on the operation, but not earn enough to cover debt or depreciation, thus requiring continued City support for these items. As this is a projection, all figures after FY2012 have been rounded to the nearest \$100 for simplicity.

**DeBell Golf Club – ‘Modified As-Is’ Scenario  
Projected Revenue and Expense Analysis**

<b>Golf Course Revenues</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Green Fees	\$991,700	\$1,096,200	\$1,149,500	\$1,179,800	\$1,186,400	\$1,212,000
Par-3 Green Fees	70,800	70,800	73,200	73,200	74,100	74,100
Carts	494,000	527,400	567,300	574,100	591,400	593,400
Driving Range	234,000	251,000	294,800	313,200	322,600	330,200
Pro Shop	190,200	204,000	215,200	217,700	219,900	220,600
Rentals & Repairs	14,500	15,600	16,400	16,600	16,800	16,800
Tourn. Fees / Gift Cards	86,800	93,100	98,200	99,400	100,400	100,700
Lessons	71,500	76,700	80,900	81,800	82,700	82,900
Food and Beverage Concession	113,166	121,200	127,800	129,300	130,600	131,000
<b>Total City Revenue</b>	<b>\$2,266,666</b>	<b>\$2,456,000</b>	<b>\$2,623,300</b>	<b>\$2,685,100</b>	<b>\$2,724,900</b>	<b>\$2,761,700</b>
<b>Direct Cost of Sales</b>						
Pro Shop (65%)	\$194,000	\$132,600	\$139,900	\$141,500	\$142,900	\$143,400
Range (10%)	\$23,400	\$25,100	\$29,500	\$31,300	\$32,300	\$33,000
<b>Total Cost of Sales</b>	<b>\$217,400</b>	<b>\$157,700</b>	<b>\$169,400</b>	<b>\$172,800</b>	<b>\$175,200</b>	<b>\$176,400</b>
<b>Gross Margin</b>	<b>\$2,049,266</b>	<b>\$2,298,300</b>	<b>\$2,453,900</b>	<b>\$2,512,300</b>	<b>\$2,549,700</b>	<b>\$2,585,300</b>
<b>City Expenses</b>						
Utilities	\$400,438	\$414,100	\$428,200	\$442,800	\$457,900	\$473,500
18-Hole Maintenance	506,003	488,000	497,800	507,800	518,000	528,400
Par-3 Maintenance	47,685	46,000	46,900	47,800	48,800	49,800
Tree Maintenance	62,338	60,100	61,300	62,500	63,800	65,100
SS Fixed Management Fee	149,328	150,800	152,300	153,800	155,300	156,900
SS Variable Portion	2,800	9,000	13,000	14,100	14,500	15,100
Cart Lease + Maintenance	110,000	110,000	110,000	110,000	110,000	110,000
Pro Shop/ Range Expenses	428,900	439,700	450,700	461,900	473,500	485,300
Insurance	41,303	42,700	44,200	45,700	47,300	49,000
Other	58,000	58,000	58,000	58,000	58,000	58,000
Elect., Plumbing, Custodial	80,600	80,600	80,600	80,600	80,600	80,600
Services from Other Dept	432,414	400,000	400,000	400,000	400,000	400,000
<b>Total City Expenses</b>	<b>\$2,319,809</b>	<b>\$2,299,000</b>	<b>\$2,342,900</b>	<b>\$2,384,900</b>	<b>\$2,427,500</b>	<b>\$2,471,400</b>
<b>Net Operating Income (Loss)</b>	<b>(\$270,543)</b>	<b>(\$700)</b>	<b>\$111,000</b>	<b>\$127,400</b>	<b>\$122,200</b>	<b>\$113,900</b>
<b>Total Capital Upgrade</b>	<b>\$82,000</b>	<b>\$222,000</b>	<b>\$35,000</b>	<b>\$32,500</b>	<b>\$5,000</b>	<b>\$7,500</b>
<b>Net Income after Capital (Loss)</b>	<b>(\$352,543)</b>	<b>(\$222,700)</b>	<b>\$76,000</b>	<b>\$94,900</b>	<b>\$117,200</b>	<b>\$106,400</b>

## **PROJECTIONS BASED ON FULL SERVICE MANAGEMENT CONTRACT BEGINNING IN 2014**

The third NGF scenario assumes a continued 'as-is' operation through the end of FY2013, with a comprehensive change to a single, full service operator beginning in 2014. The new operators (or current operators with a new arrangement) would be selected via formal City request with selected vendor in place by July 1, 2014. The new contract would be a fixed fee management contract with gross revenue incentive. The service would include operation of all aspects of the DeBell GC facility, including pro shop, lessons, maintenance and food and beverage. The City would own all revenues, expenses and equipment, and would pass expenses through the new single full-service contractor. All DeBell staff would be employees of the contract vendor.

The result of this action would be a drastic change in the DeBell GC, streamlining the operation under one entity, thus relieving the City of some oversight responsibilities and overhead expense. The NGF has assumed a reduction in the "services to other departments" expense in this scenario projection.

### **Key Assumptions**

The key assumptions for this scenario include the previous revenue assumptions, plus all assumptions from the first scenario, except:

- The basic structure of existing vendor contracts remain in place through June 2014, then a single full-service vendor is selected to operate all aspects of DeBell GC, including pro shop, maintenance and food and beverage. Expenses covered by City of Burbank, through the new full-service vendor (pass through expenses).
- Cost of sales: pro shop – 65%, driving range – 10%, and food/beverage – 37.5%. An extra \$70,000 is assumed for 2012 to acquire shop inventory from SS GOLF.
- Pro shop labor has been estimated based on actual SS GOLF performance, and assumes a similar basic staff structure. Expense is increased at 2.0% per year through 2017. Food and beverage labor has been estimated based on actual Clubhouse Grill performance, and assumes a reduced staff structure. Expense is increased at 2.0% per year through 2017.
- Maintenance labor is estimated based NGF data collected from regional averages and comparable Southern California municipalities. Expense is increased at 2.0% per year through 2017.
- Other expenses are based on actual SS GOLF, R & M, and ValleyCrest expenses combined together, with an increased marketing budget. Expenses increase at 2.0% per year through 2017.
- Utilities are projected as a combination of actual City utilities and SS GOLF + R & M reported utilities, all increased at the historical 3.4% for utilities. The NGF has assumed a cart and maintenance equipment lease, increasing at 2.0% per year through 2017.
- The City's "services of other departments" is reduced to \$300,000, reflective of reduced City requirements under the new structure and more in line with other Southern California Municipalities reviewed by NGF in this consulting effort. Expense is increased at 2.0% per year through 2017.
- The new agreement includes a management fee with a fixed portion at \$12,500 per month (increasing at 2.5% per year), plus a variable portion of 10% of total gross revenue in excess of \$3.0 million (target grows at 2.5% per year).

## Pro Forma Estimate for Full Service Management Contract FY2014 – FY2017

The tables show that the structure creates improvement for the Burbank Golf Fund, largely through consolidation of expenses with one contract vendor. We note that although some “services of other departments” expense may be removed from the Golf Fund, it may remain in overall City expense. As with the “As-Is” and “Modified As-Is,” this structure also shows an inability to cover debt and depreciation. The NGF prepared this projection based on reasonable inputs from our review of similar full-service contracts with single vendors, but the City of Burbank should conduct additional due diligence to ensure budgets proposed by vendors actually lead to reduced expense. Estimates after FY2012 have been rounded for simplicity.

<b>DeBell Golf Club – ‘Full Service Management Contract’ Scenario Projected Revenue and Expense Analysis</b>						
<b>Golf Course Revenues</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Green Fees	\$991,700	\$1,096,200	\$1,149,500	\$1,179,800	\$1,186,400	\$1,212,000
Par-3 Green Fees	70,800	70,800	73,200	73,200	74,100	74,100
Carts	494,000	527,400	567,300	574,100	591,400	593,400
Driving Range	234,000	251,000	294,800	313,200	322,600	330,200
Pro Shop Merchandise	190,200	204,000	215,200	217,700	219,900	220,600
Rentals and Repairs	14,500	15,600	16,400	16,600	16,800	16,800
Lessons	71,500	76,700	80,900	81,800	82,700	82,900
Tourn. Fees / Gift Cards	86,800	93,100	98,200	99,400	100,400	100,700
Food Sales	607,700	651,900	687,500	695,600	702,600	704,900
Liquor Sales	208,200	223,300	235,500	238,300	240,700	241,500
Misc. F & B	1,700	1,800	1,900	1,900	2,000	2,000
<b>Total Golf Course Revenues</b>	<b>\$2,971,100</b>	<b>\$3,211,800</b>	<b>\$3,420,400</b>	<b>\$3,491,600</b>	<b>\$3,539,600</b>	<b>\$3,579,100</b>
<b>Direct Cost of Sales</b>						
Merchandise	<b>PRESENTED EARLIER</b>		\$209,900	\$141,500	\$142,900	\$143,400
Driving Range	<b>UNDER ‘AS-IS’</b>		\$29,500	\$31,300	\$32,300	\$33,000
Food and Beverage	<b>SCENARIO</b>		\$346,800	\$350,900	\$354,500	\$355,700
<b>Gross Margin</b>			<b>\$2,834,200</b>	<b>\$2,967,900</b>	<b>\$3,009,900</b>	<b>\$3,047,000</b>
<b>Total Expenses</b>						
Golf, Range + Lesson Labor	<b>PRESENTED EARLIER</b>		\$430,000	\$438,600	\$447,400	\$456,300
F & B Labor	<b>UNDER ‘AS-IS’</b>		180,000	183,600	187,300	191,000
Maintenance Labor	<b>SCENARIO</b>		400,000	408,000	416,200	424,500
Maintenance Non-Labor			215,000	219,300	223,700	228,100
Office, Adv., Supplies, Other			80,000	81,600	83,200	84,900
Credit Card Fees	<b>LINE ITEMS DO NOT</b>		35,000	35,700	36,400	37,100
Prof. + Marketing	<b>MATCH UNDER CITY</b>		70,000	71,400	72,800	74,300
Utilities	<b>OPERATION MAKING</b>		425,000	439,500	454,400	469,800
Carts + Maint. Equip	<b>DIRECT COMPARISON</b>		240,000	244,800	249,700	254,700
Insurance	<b>DIFFICULT</b>		55,000	56,100	57,200	58,300
Elect., Plumbing, Custodial			80,000	81,600	83,200	84,900
Services from Other Dept			300,000	306,000	312,100	318,300
Fixed Mgt. Fee			150,000	153,000	156,100	159,200
Variable Mgt. Fee			21,000	21,600	20,900	19,800
<b>Total Expenses</b>			<b>\$2,681,000</b>	<b>\$2,740,800</b>	<b>\$2,800,600</b>	<b>\$2,861,200</b>
<b>Net Operating Income (Loss)</b>	<b>(\$269,327)</b>	<b>(\$123,600)</b>	<b>\$153,200</b>	<b>\$227,100</b>	<b>\$209,300</b>	<b>\$185,800</b>
<b>Total Capital Upgrade</b>	<b>\$82,000</b>	<b>\$222,000</b>	<b>\$35,000</b>	<b>\$32,500</b>	<b>\$5,000</b>	<b>\$7,500</b>
<b>Net Income after Capital (Loss)</b>	<b>(\$351,327)</b>	<b>(\$345,600)</b>	<b>\$118,200</b>	<b>\$194,600</b>	<b>\$204,300</b>	<b>\$178,300</b>

## FINANCIAL PROJECTIONS SUMMARY

The results of the NGF Consulting financial analysis of DeBell Golf Club show that the facility could improve its financial position by either modifying existing vendor contracts, or switching to a full-service contract with a single vendor. However, even with revenues totaling over \$3.5 million (from all sources), DeBell GC will still not be able to earn revenue sufficient to cover all its obligations under any of the scenarios presented. By consolidating the operation under one all-inclusive management contract with a single vendor, the DeBell facility should be able to reduce the expense enough to cover most obligations, although debt and depreciation remain uncovered. Overall, NGF is projecting that DeBell GC can produce rounds totals of around 60,000 per year on the 18-hole course and 18,000 on the par-3 course, levels that are much lower than achieved as recently as five or six years ago. The City should assume that this level of performance is the “new reality” for this facility and that performance is unlikely to return to levels achieved in the last decade.

The NGF projections assume a total capital expense of \$384,000 (+/-) that includes the completion of a long-range master plan completed by a qualified golf architect/designer. The NGF projection does not include a large “across-the-board” fee increase, opting rather for a targeted increase of certain fees at peak demand times. We note the rapid decline in rounds derived from previous fee increases at DeBell and the City of Los Angeles courses as well.

In summary of our financial analysis, several findings are clear regarding the financial condition of the DeBell Golf Club:

1. The most significant expenses in the operation are overhead and utility charges that are at the high end of the scale in terms of the municipal golf course sample for which NGF was able to collect information. The fiscal stress on DeBell GC will remain as long as these expenses remain at their present levels, **regardless of operational structure.**
2. Even if the facility can increase total gross revenues to over \$3.5 million, DeBell Golf Club will not be able to earn enough revenue to completely cover both operational costs and all other expenses such as capital, debt amortization, and depreciation under any of the scenarios presented.
3. The City should consider 60,000 rounds (18-hole course) to be a realistic minimum level in order to generate the revenue needed to cover facility expenses, including the aforementioned City overhead, utilities and capital.
4. DeBell Golf Club would benefit from some level of upgrade to the golf course that can help improve revenue or reduce expense. Irrigation enhancements can help reduce water (utility) expense, range improvements can lead to more range use, and cart path improvements can help increase rounds and reduce wear on golf carts.

In summary, the NGF Consulting cash flow model for DeBell Golf Club, assuming the facility upgrades are successfully carried out, shows the improved golf facility generating enhanced revenues that should be sufficient to pay for basic operational upkeep. The scenario of a single, full-service management contract provides the best opportunity to comfortably meet fiscal requirements due to the assumption of a: (1) streamlined operation through one contractor; and (2) reduction in City oversight and expense. The second point appears most important as the City overhead on DeBell GC remains as one of the largest single expense line items for the Burbank Golf Fund.

# Appendices

**A – Golf Course Life Cycle**

**B – Golf Industry Standards and Norms**

**C– Golfer Expectations of Better Quality Public Golf Facilities**

**D – Golfer Survey**

**E – National Rounds Played Report**

**F – Summary of L.A. Golf Concessions**



## APPENDIX A – GOLF COURSE LIFE CYCLE

# GOLF COURSE ITEMS EXPECTED LIFE CYCLE

### HOW LONG SHOULD PARTS OF THE GOLF COURSE LAST?

ITEM	YEARS	ITEM	YEARS
Greens (1)	15 – 30 years	Cart Paths – concrete	15 – 30 years
Bunker Sand	5 – 7 years	Practice Range Tees	5 – 10 years
Irrigation System	10 – 30 years	Tees	15 – 20 years
Irrigation Control System	10 – 15 years	Corrugated Metal Pipes	15 – 30 years
PVC Pipe (under pressure)	10 – 30 years	Bunker Drainage Pipes (3)	5 – 10 years
Pump Station	15 – 20 years	Mulch	1 – 3 years
Cart Paths – asphalt (2)	5 – 10 years (or longer)	Grass (4)	Varies

**NOTES:** (1) Several factors can weigh into the decision to replace greens: accumulation of layers on the surface of the original construction, the desire to convert to new grasses and response to changes in the game from an architectural standpoint (like the interaction between green speed and hole locations). (2) Assumes on-going maintenance beginning 1 – 2 years after installation. (3) Typically replaced because the sand is being changed — while the machinery is there to change sand, it's often a good time to replace the drainage pipes as well. (4) As new grasses enter the marketplace — for example, those that are more drought and disease tolerant — replanting may be appropriate, depending upon the site.

Component life spans can vary depending upon location of the golf course, quality of materials, original installation and past maintenance practices. We encourage golf course leaders to work with their golf course architect, superintendents and others to assess the longevity of their particular course's components.

The American Society of Golf Course Architects (ASGCA) thanks those at the USGA Green Section, Golf Course Builders Association of America, Golf Course Superintendents Association of America and various suppliers for their assistance in compiling this information.

The materials presented on this chart have been reviewed by the following Allied Associations of Golf:

For more information,  
contact ASGCA at  
**262-786-5960** or  
**www.asgca.org**



DATA COMPILED BY ASGCA, 125 NORTH EXECUTIVE DRIVE, SUITE 106, BROOKFIELD, WI 53005

## APPENDIX B – GOLF INDUSTRY STANDARDS AND NORMS

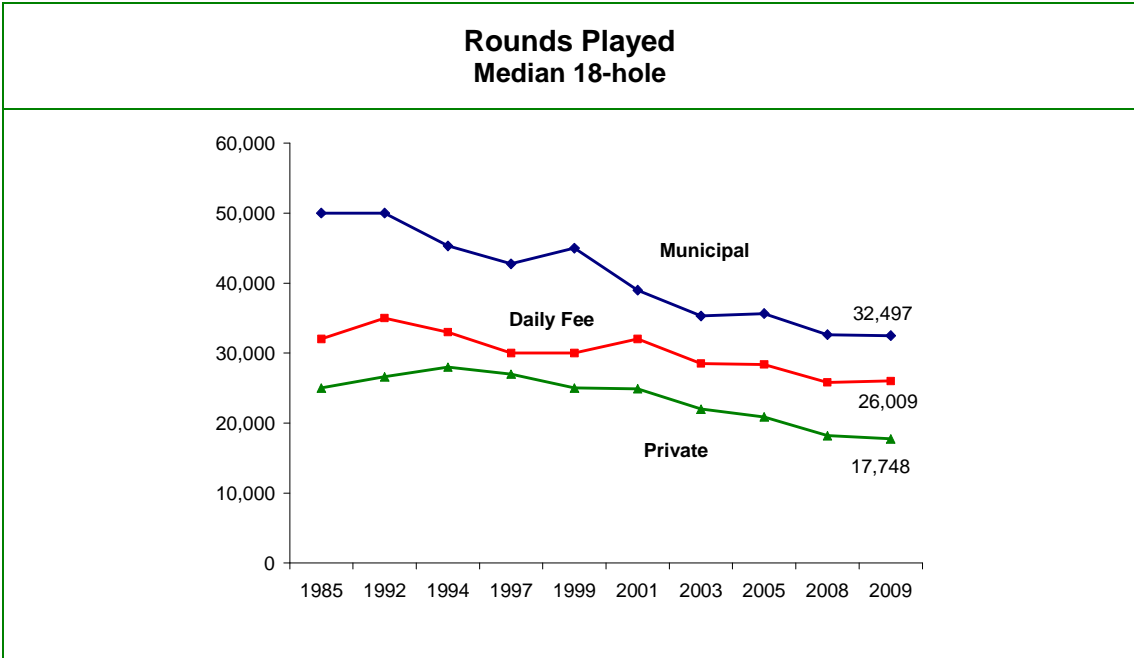
The NGF has presented a selection of basic golf industry information designed to help educate the City of Burbank on “reasonable expectations” for public golf operations in the U.S. Information provided includes operational norms for public golf courses (rounds, revenues, expenses, staffing) as well as some other “standards” consistent with successful public golf courses. As City of Burbank is operating a golf facility that fits into separate categories, the NGF has included benchmark data for both ‘mid-range’ and ‘premium’ public golf courses.

### Public Golf Operational Norms

For comparison purposes to DeBell Golf Club, we present a review of selected NGF data from our bi-annual surveys of golf facilities. As the 2011 edition was not yet complete at the time of this report, the NGF has used the 2009 figures for comparison to DeBell GC. This include data from the aggregate of all golf courses in the U.S. (by category), as well as data from selected sub-categories of golf facilities including mid-range (middle fee) public golf facilities and premium (highest fee) golf facilities. These data are detailed in the National Golf Foundation publication, *Operating & Financial Performance Profiles of 18-hole Golf Facilities in the U.S.* These figures were included and used for this effort as they represent “reasonable estimates” for comparison to the DeBell Golf Clubs. In addition, NGF Consulting has added estimates from the “*Future of Public Golf in America*” study completed in 2010 and presented at the annual NGF Golf Business Symposium.

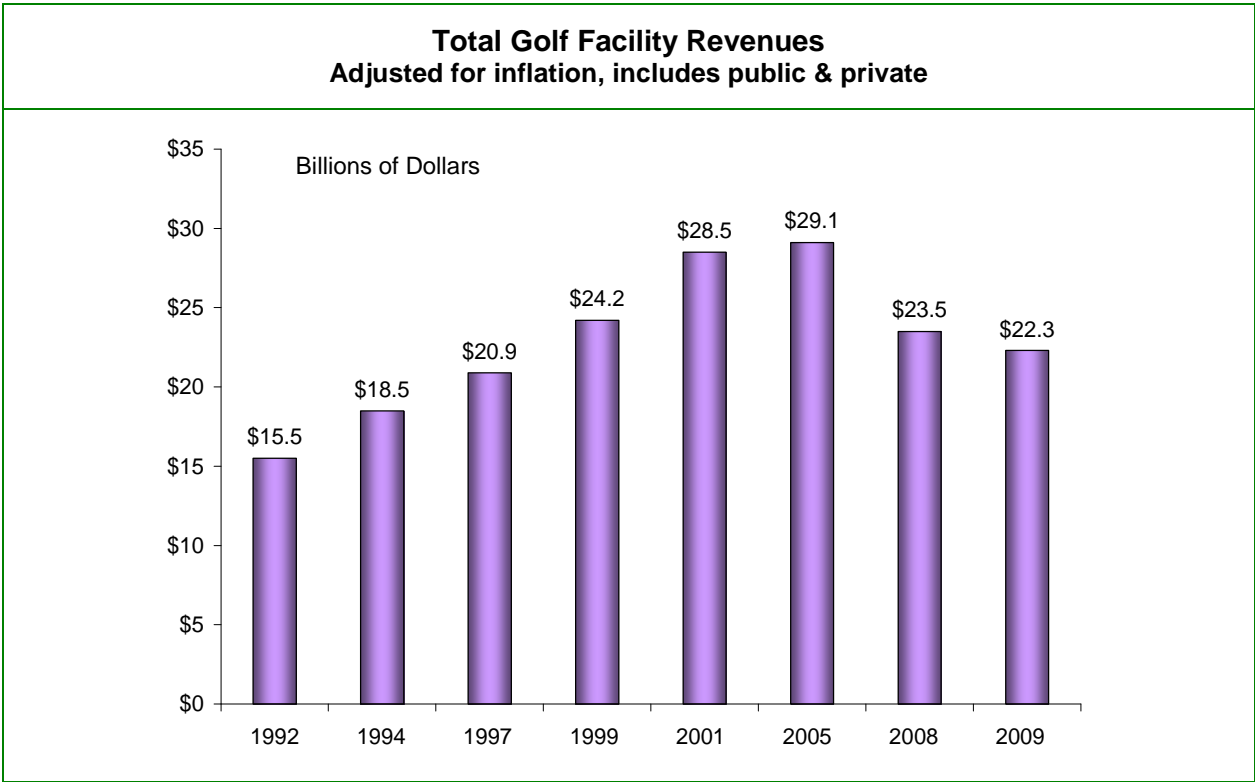
### Public Golf Facility Rounds Expectations

NGF research indicates that the average number of rounds played per 18-hole golf course has been declining in the last 25 years. The totals now stand at an average of 32,497 rounds for municipal golf courses, 26,009 for all daily fee (privately-owned, open to the public), and 17,748 for private clubs. We note these figures all represent significant declines since 1985, with acceleration of decline since 2001. As a benchmark comparison, average rounds per 18-hole municipal golf course was around 36,000± in 2005 and just over 33,500± rounds in 2009.



### Public Golf Facility Revenue Expectations

NGF research indicates that the total of all golf facility revenues in the U.S. represents a \$22.3 billion industry, down from a peak of \$29.1 billion in 2005. The table below shows the NGF estimate for total golf facility revenue (public and private combined) in the United States for selected years since 1992.



### Average Revenue per Golf Facility

The NGF estimate for total revenue per golf facility in the U.S. now stands at \$1.5 million for daily fees, \$1.3 million for municipals, and \$3.4 million for private clubs. Again, we note that this is a full aggregate of all golf facilities in the U.S., inclusive of all climatic regions and facility types.

<b>Facility-Level Revenues</b> <b>Average Total Revenues</b> <b>18-hole - \$millions</b>			
	<b>2008</b>	<b>2009</b>	<b>% change</b>
Daily Fee	\$1.6	\$1.5	-6.1%
Municipal	\$1.3	\$1.3	-2.1%
Private	\$3.6	\$3.4	-4.7%
Source: National Golf Foundation and Golf Datatech			

### Revenue Detail for 'Mid-Range' Public Golf Courses

Further detail on 'mid-range' public golf facility operations in the United States has been collected by NGF over the years, a summary of which is presented below for 2005 and 2009. 'Mid-range' public golf courses are those with green fees in the \$40 to \$70 range (excluding carts). The NGF consultants feel that this represents one of the reasonable measures of comparison to performance at DeBell Golf Club, and is used for this purpose throughout the NGF engagement for the City of Burbank.

Public Mid-range Average Revenues			
	<b>2005</b>	<b>2009*</b>	<b>% change</b>
Green fees, cart fees and member/passholder revenue	\$679,280	\$624,900	-8.0%
All other golf revenue	\$76,930	\$75,000	-2.5%
F&B revenue (incl. banquets)	\$214,400	\$182,200	-15.0%
Merchandise revenue	\$80,080	\$75,300	-6.0%
All other operating revenue	\$37,560	\$36,400	-3.1%
<b>Total Revenue</b>	<b>\$1,088,250</b>	<b>\$993,800</b>	<b>-8.7%</b>
Source: <i>Operating &amp; Financial Performance Profiles of 18-Hole Golf Facilities in the U.S.</i> , 2010 edition, National Golf Foundation, and "Future of Public Golf in America" study – 2010.			
*Estimated totals derived from sample research in 2009.			

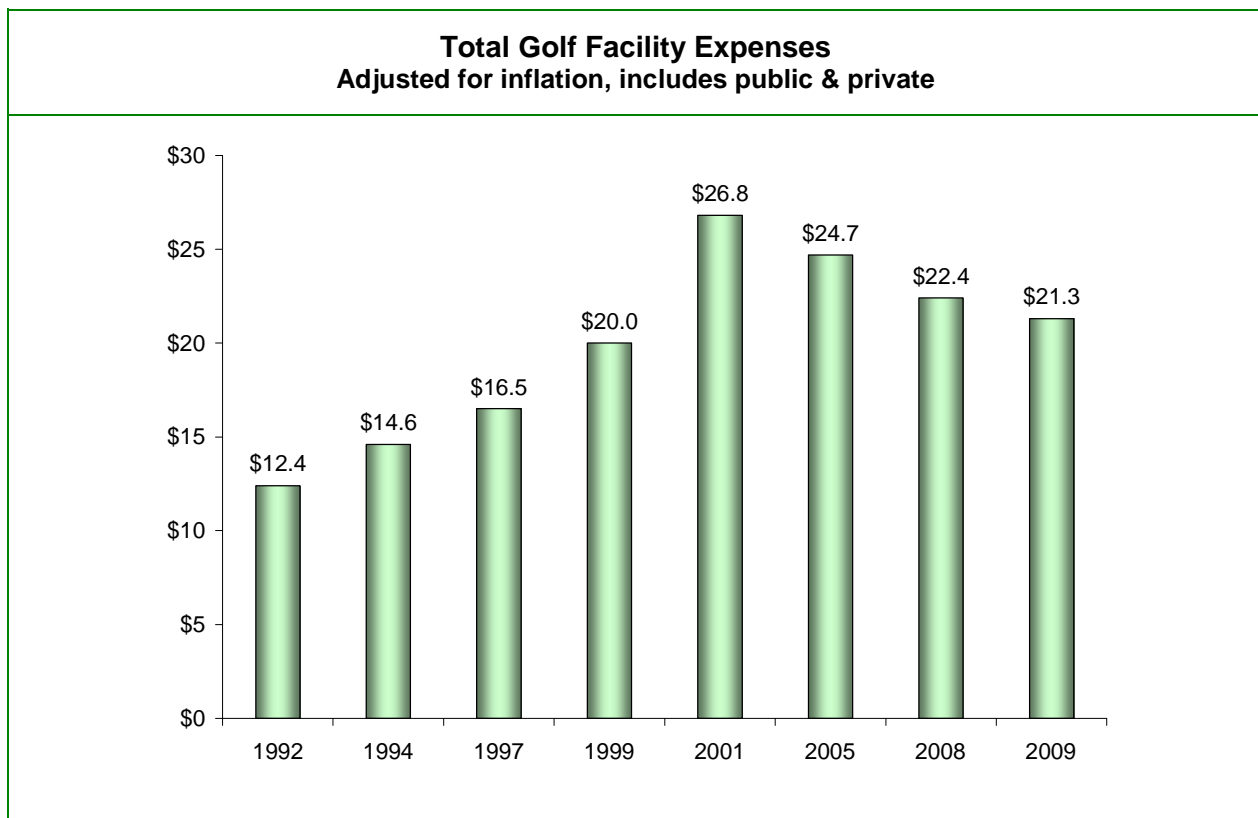
### Revenue Detail for 'Premium' Public Golf Courses

In addition, the NGF also has data on 'Premium' public golf facility operations in the United States, which is summarized in the following table for 2005 and 2009. 'Premium' public golf courses are those with green fees \$70.01 and up (including cart fee), making DeBell Golf Club close to this level. As the facility has some amenities that would be comparable to 'premium' facilities, the NGF has included this data for comparison.

Public Premium Average Revenues			
	2005	2009*	% change
Green fees, cart fees and member/passholder revenue	\$1,872,270	\$1,610,100	-14.0%
All other golf revenue	\$210,760	\$200,800	-4.7%
F&B revenue (incl. banquets)	\$620,750	\$516,200	-16.8%
Merchandise revenue	\$276,240	\$216,200	-21.7%
All other operating revenue	\$120,270	\$102,400	-14.9%
<b>Total Revenue</b>	<b>\$3,100,290</b>	<b>\$2,645,700</b>	<b>-14.7%</b>
Source: <i>Operating &amp; Financial Performance Profiles of 18-Hole Golf Facilities in the U.S.</i> , 2010 edition, National Golf Foundation, and "Future of Public Golf in America" study – 2009. *Estimated totals derived from sample research in 2009.			

### Public Golf Facility Expense Expectations

NGF research indicates that all golf facilities in the U.S. had a total of \$21.3 billion in direct operating expenses, down 20.5% from a high of \$26.8 billion in 2001. The table below shows the NGF estimates for total golf facility expenses (public and private combined) in the United States for selected years since 1992.





### Average Expense per Golf Facility

The NGF estimate for total expenses per golf facility in the U.S. now stands at \$1.3 million for daily fees, \$1.1 million for municipals and \$3.2 million for private clubs. Again, we note that this is a full aggregate of all golf facilities in the U.S., inclusive of all climactic regions and facility types.

Facility-Level Expenses Average Total Expenses 18-hole - \$millions			
	2008	2009	% change
Daily Fee	\$1.4	\$1.3	-5.8%
Municipal	\$1.1	\$1.1	-1.2%
Private	\$3.4	\$3.2	-5.4%
Source: National Golf Foundation and Golf Datatech			

### Operating Expense Detail for 'Mid-Range' Public Golf Courses

Further detail on 'mid-range' public golf facility operational expenses in the United States from 2005 and 2009 are displayed below. The NGF consultants feel that this represents one of the reasonable measures of comparison to performance at DeBell Golf Club, and is used for this purpose throughout the NGF engagement for the City of Burbank.

Public Mid-range Average Expenses			
	2005	2009*	% change
Total maintenance costs	\$377,160	\$414,900	10.0%
Golf car fleet costs	\$31,120	\$30,500	-2.0%
COGS F&B	\$86,360	\$76,200	-11.8%
COGS merchandise	\$56,450	\$44,600	-21.0%
Other expenses	\$315,280	\$365,700	16.0%
<b>Total Expenses</b>	<b>\$866,360</b>	<b>931,900</b>	<b>7.6%</b>
<b>Notes:</b> "Total maintenance costs" includes payroll, supplies, and equipment. "Other expenses" is a large category because it includes all non-maintenance payroll and all other operating expenses. Source: <i>Operating &amp; Financial Performance Profiles of 18-Hole Golf Facilities in the U.S.</i> , 2010 edition, National Golf Foundation, and "Future of Public Golf in America" study – 2010. *Estimated totals derived from sample research in 2009.			

### Operating Expense Detail for 'Premium' Public Golf Courses

Operating expense detail for 'Premium' public golf facilities appears in the following table. As the facility has some amenities that would be comparable to 'premium' facilities, the NGF has included this data for comparison.

Public Premium in Average Expenses			
	2005	2009*	% change
Total maintenance costs	\$825,640	\$923,900	10.6%
Golf car fleet costs	\$57,040	\$55,800	-2.2%
COGS F&B	\$189,750	\$167,500	-11.7%
COGS merchandise	\$189,000	\$148,200	-21.6%
Other expenses	\$1,167,480	\$1,354,300	16.0%
<b>Total Expenses</b>	<b>\$2,428,910</b>	<b>\$2,649,700</b>	<b>9.1%</b>
<b>Notes:</b> "Total maintenance costs" includes payroll. "Other expenses" is a large category because it includes all non-maintenance payroll and all other operating expenses. Source: <i>Operating &amp; Financial Performance Profiles of 18-Hole Golf Facilities in the U.S.</i> , 2010 edition, National Golf Foundation, and "Future of Public Golf in America" study – 2009. *Estimated totals derived from sample research in 2009.			

### Public Golf Facility Average Revenue and Expense per Round

The following section provides NGF estimates for revenues and expenses per round of golf played for each of 'Mid-Range' and 'Premium' golf facilities.

**Public 'Mid-range' Revenue and Expense per Round** - NGF research indicates that middle-fee public golf courses in the U.S. average \$30.58 in total facility revenue per round of golf in 2009. Of this figure, \$21.54 (70.4%) is derived from "golf" sources (green, cart, pass fees and driving range), with the remaining \$9.04 (29.6%) per round derived from "ancillary" (mostly merchandise, food + beverage) sources. Overall, this figure has declined by about 6.0% between 2005 and 2009, with the largest decline (12.5%) coming from food and beverage revenue.

Public Mid-range U.S. Average Revenue Per Round			
	2005	2009	% change
Total Revenue	\$32.54	\$30.58	-6.0%
Golf Revenue	\$22.61	\$21.54	-4.7%
F&B revenue (incl. banquets)	\$6.41	\$5.61	-12.5%
Merchandise revenue	\$2.39	\$2.32	-2.9%
All other operating revenue	\$1.12	\$1.12	0.0%
Source: <i>Operating &amp; Financial Performance Profiles of 18-Hole Golf Facilities in the U.S.</i> , 2010 edition, National Golf Foundation, and "Future of Public Golf in America" study – 2010			

Middle-fee public golf courses in the U.S. average \$28.68 in total facility expenses per round of golf. Of this figure, \$12.77 (44.5%) is derived from golf course maintenance, with the remaining \$15.91 (55.5%) per round derived from all other expenses. Overall, this figure increased by about 11% between 2005 and 2009.



<b>Public Mid-range U.S. Average Expense Per Round</b>			
	<b>2005</b>	<b>2009</b>	<b>% change</b>
Total maintenance costs	\$11.28	\$12.77	13.2%
Golf car fleet costs	\$0.93	\$0.94	0.9%
Total COGS	\$4.27	\$3.71	-13.1%
Other expenses	\$9.43	\$11.25	19.4%
<b>Total Facility Expense</b>	<b>\$25.91</b>	<b>\$28.68</b>	<b>10.7%</b>
Source: <i>Operating &amp; Financial Performance Profiles of 18-Hole Golf Facilities in the U.S.</i> , 2010 edition, National Golf Foundation, and “ <i>Future of Public Golf in America</i> ” study – 2010			

**Public ‘Premium’ Revenue and Expense per Round** - NGF research indicates that the highest fee public golf courses in the U.S. average \$81.41 in total facility revenue per round of golf. Of this figure, \$55.73 (68.5%) is derived from “golf” sources (green, cart, pass fees and driving range), with the remaining \$25.68 (31.5%) per round derived from “ancillary” (mostly merchandise, food + beverage) sources. Overall, this figure declined by about 12% between 2005 and 2009.

<b>Public Premium U.S. Average Revenue Per Round</b>			
	<b>2005</b>	<b>2009</b>	<b>% change</b>
Total Revenue	\$92.70	\$81.41	-12.2%
Golf Revenue	\$62.28	\$55.73	-10.5%
F&B revenue (incl. banquets)	\$18.56	\$15.88	-14.4%
Merchandise revenue	\$8.26	\$6.65	-19.5%
All other operating revenue	\$3.60	\$3.15	-12.4%
Source: <i>Operating &amp; Financial Performance Profiles of 18-Hole Golf Facilities in the U.S.</i> , 2010 edition, National Golf Foundation, and “ <i>Future of Public Golf in America</i> ” study – 2010			

Premium public golf courses in the U.S. average \$81.54 in total facility expenses per round of golf. Of this figure, \$28.43 (34.9%) is derived from golf course maintenance, with the remaining \$53.11 (65.1%) per round derived from all other expenses. Overall, this figure increased by about 16% between 2005 and 2009.

<b>Public Premium U.S. Average Expense Per Round</b>			
	<b>2005</b>	<b>2009</b>	<b>% change</b>
Total maintenance costs	\$24.69	\$28.43	15.2%
Golf car fleet costs	\$1.71	\$1.72	0.7%
Total COGS	\$11.32	\$9.71	-14.2%
Other expenses	\$34.91	\$41.67	19.4%
<b>Total Facility Expense</b>	<b>\$72.63</b>	<b>\$81.54</b>	<b>12.3%</b>
Source: <i>Operating &amp; Financial Performance Profiles of 18-Hole Golf Facilities in the U.S.</i> , 2010 edition, National Golf Foundation, and “ <i>Future of Public Golf in America</i> ” study – 2010			

## **APPENDIX C – GOLFER EXPECTATIONS OF BETTER QUALITY PUBLIC GOLF FACILITIES**

Golf consumers have developed certain expectations about the package of amenities they expect at golf courses of various levels of quality. These expectations extend to both the physical attributes (maintenance) of a facility as well as the level of service provided. In this section, NGF will provide a basic “checklist” of amenities and services that are expected at various levels of golf course quality and should be considered within the overall program of the City of Burbank. This includes a review of golf course facilities, support amenities, and service.

### **Golf Course Expectations**

A summary of categories of expectations for golfers at middle-to-better quality golf courses includes:

- Clean carts
- Good scenery
- Appropriate length and challenges (see below)
- Well maintained conditions
- Well maintained greens
- Well maintained fairways
- Well maintained tees
- Well maintained bunkers
- Clearly marked and visible yardage and hazard indicators
- Rough that is not too difficult and ball can be found
- Practice facility
- On-course facilities / water fountains

### **Clubhouse Expectations**

Basic expectations of golf course clubhouses from golf consumers at middle-to-better quality public golf courses include:

- Visually appealing entrance and landscaping
- Area to drop golf bags directly from auto
- Clean and clearly marked entrance
- Appropriate and visible art and decorations
- Visually appealing pro shop area
- Room to shop and view items for sale + ease of purchase
- Convenient restrooms cleaned twice daily
- Clear logistics and ergonomics (where do I go to check in?)
- Space and comfortable chairs to sit and relax
- Wi-Fi and cell service available
- Space to privately change clothes/shoes (if necessary)
- Nice views of the golf course

- Good food and beverage service
- Alcohol service (at least beer) and a comfortable place to go to enjoy food and drinks and reflect on their round with friends
- Big screen TVs in the lounge/bar and/or grill area that are always tuned to sports

## Service Expectations

Basic service expectations from golf consumers at middle-to-better quality public golf courses include:

- Availability of, and accommodation for booking tee-times
- Assistance with golf bag drop
- Ease of parking
- Friendly/courteous staff at check-in counter
- Pro shop stocked with appropriate basic items (balls, tees, gloves, etc)
- Carts cleaned and fully charged for a round
- Courteous starter attentive to golfer needs
- Management/staff attention to pace-of-play
- Courteous ranger moving play along
- Beverage cart service
- On-course restroom / drinking stations
- Ability to conveniently consume snacks/beverages after 9th hole (the “turn”)
- Assistance with golf bag after the round
- Ability to conveniently consume snacks/beverages after 18th hole
- Pro shop open when round complete

The above items represent the basic package of golf facility amenities expected by golfers to complete a better quality golf experience. Attention to these details will help produce repeat customers and strong “word-of-mouth” recommendations. In general, the facilities at DeBell Golf Club meet these expectations with some exceptions to be addressed by NGF in our recommendations section.

## Merchandising Operations

Merchandise sales are an often overlooked aspect of golf operations. Most operators realize that it is important to carry some items as a convenience to their customers, some even see it as a profit center, but rarely is it seen as a significant source of income. Instead, it is looked upon more as a small add-on sale and is rarely given much attention. As a result, most operators are content with merchandise sales of \$2.50 or so per round. On the other hand, some operators see merchandise sales as a potential major profit center for the golf operation.

In addition, savvy operators understand that the quality of the merchandise helps set the golfer's expectations for the course. For example, if a golfer comes in and sees a sparsely stocked pro shop, they are likely to conclude that the golf course is in financial difficulty, which may reflect on the quality of the golf course and its condition. Similarly, if the pro shop carries high-quality shirts and supplies, the golfer is led to believe the golf course is a higher-end facility that attracts higher-end golfers who can afford to play at better facilities.

The biggest key to success in merchandise sales is attitude. If a golf facility operator approaches merchandise sales as simply a minor add-on, it is likely to remain a low priority and generate little revenue. On the other hand, if the pro shop is viewed as a retail store, the entire perspective changes. The degree to which a golf facility can emulate successful retail store practices will determine just how successful that golf shop can become. Ideas to help move improve merchandise operations at public golf courses include:

- **Sales.** Always have merchandise on sale. Further, the merchandise on sale is not just the rejects, but includes popular selections as well. Merchandise should be rotated regularly through the sales tables and not kept on sale for more than a few weeks at a time.
- **Promotion.** The typical pro shop relies on a small sign placed strategically on a rack or table to announce items that are on sale. Merchandise sales can also be promoted on the Website, sent out in emails, and noted on large signs in the lobby or grill area or on smaller signs at the pro shop counter or even on the golf carts.
- **Inventory.** Successful retail stores recognize that having a strong inventory is important for two reasons: (1) it gives customers a wider selection, which increases the chances for a sale; and (2) full shelves are much more enticing to customers than sparsely stocked shelves.
- **Margin.** Most successful pro shops will have a cost-of-goods for merchandise sales of around 70-75% (DeBell Golf Club is below this threshold in 2011).
- **Know Your Market.** One of the biggest keys to success is to know your market and stock merchandise that is consistent with golfers at the facility and the price point.
- **Logo.** One thing golf discounters and on-line stores do NOT have is your logo! Your logo is often the main reason buyers will purchase your shirts and caps, etc., because it is unique and gives them something to wear others won't have. The DeBell GC and the City of Burbank should strive to promote the golf logo on all soft goods items (shirts, jackets, hats, etc.), as well on golf balls and umbrellas and other hard goods.
- **Staffing.** The best pro shops will have staff that is dedicated to merchandise sales. There should be a merchandising manager (as with DeBell) who is knowledgeable on retail sales and knows both how to order and display merchandise successfully.

## **Food and Beverage Operations**

The food and beverage (F&B) operation at most golf courses is critical to the facility's profitability, either positively or negatively. The F&B operation, though, is more important to the success of a golf course than simply its direct contribution to the bottom line. What is often undervalued, perhaps because it is so hard to measure, is the F&B's impact to the overall desirability of a golf course and thus its effect on rounds performance.

There is no question that for most golfers a golf course's F&B operation significantly impacts the overall golfing experience. Given that an 18-hole golf round usually takes four to four and half hours to play, a golf round is inevitably going to interact with at least one meal for a golfer. Further, many golfers enjoy relaxing after a round of golf, preferably while eating and/or drinking. This is an important social time as the golfers reflect on the round, settle bets, and often discuss various issues that may have nothing to do with golf. (Notably, a golf course is a popular spot to conduct business).

As a result, a facility's F&B operation can be either an asset or a detriment to a facility. If the quality of the food and beverage concession does not match the experience or price of a golf course, there is no doubt that the operation will have a negative impact on golf course performance. However, if the F&B operation is in strong sync with the golf course, revenues in both operations will be maximized. This is true if for no other reason than convenience. Given that the golfer is likely to need a place to eat either before, after or even during a round, if the golf course cannot provide the meal appropriately, the golfer must find another place – adding additional time and inconvenience to the round. Further, a golfer tends to want to satisfy thirst and hunger immediately. If this cannot be done at the golf course, the round can be much less pleasant.

On the other hand, if the food quality and service is a good match for a facility, it adds to the golf experience and increases the desirability of the golf course as a place to play. A high quality F&B operation with multiple options can help make up for deficiencies of a golf course. Similarly, a poor F&B operation can drag even a good golf operation down.

### **Successful Food and Beverage Operations at Golf Facilities**

From a golf perspective, the F&B operation does not need to be elaborate; a simple grill operation is often sufficient. Golfers are looking mostly for tasty items that can be prepared and delivered quickly in an inviting and friendly atmosphere. Hot dogs, hamburgers, and sandwiches are generally the most popular items served. However, with healthy selections becoming more socially acceptable and appealing and with the desire to expand the market to include women and seniors, other menu items are required. There should be salad and healthy sandwich choices as well as fruit offerings. To increase appeal to regulars, there should be daily specials. A "signature" item is always desirable (i.e. Garlic Bread at Clubhouse Grill).

It is also important to understand that the F&B operation is not limited to the grill or restaurant, but definitely extends to the golf course. Many golf operators have discovered that offering a good beverage cart operation not only creates a new profit center, but also increases total rounds performance. Golfers tend to enjoy beverage cart service, when the operators are well-trained and personable and the prices and selection reasonable. It is not uncommon for a mid-level facility to average more than \$1 to \$2 per round from beverage cart sales alone. However, to be successful, a beverage cart operation needs to have the following:

- **Good Servers.** The attendants need to be friendly and helpful. Females tend to work better than males, as most of the customers are male.
- **Beer.** Beer is the beverage of choice for a large percentage of golfers. Having beer readily available will significantly help performance – both for the F&B operation and for the golf course.
- **Good Selection.** Savvy operators track what golfers are buying and do their best to keep these items in stock and available on the golf cart.
- **Consistency.** This is perhaps the most important ingredient of all. To be successful, the beverage cart must be present consistently. It cannot be operated only during “peak” days and at “peak times.” Golfers need to be trained to expect that the beverage cart will be there in order to leave their coolers behind and for the beverage cart to have a positive impact on the golf course rounds.

Where F&B operations tend to create fiscal problems for a golf facility is when they start offering dinner services that go beyond the typical golf course fare and try to compete with restaurants. On the other hand, this strategy can work so long as the golfers are being taken care of and the restaurant option is **in addition to, not in lieu of** focus on golfers.

## APPENDIX D – GOLFER SURVEY

DeBell Golf Course - GOLFER SATISFACTION SURVEY	
<b>Your Golf</b>	
1 About how many rounds have you played at DeBell Golf Course in the past 3 years?	_____
2 Do you play most of your golf at DeBell Golf Course?	O Yes      O No
3 What other courses in the area, if any have you played on a somewhat regular basis in the past 3 years?	
1. _____	_____ rounds
2. _____	_____ rounds
3. _____	_____ rounds
4 What would you estimate is your average cost per round (including green fee, golf cart if used, range balls, etc. – but excluding merchandise and food & beverage) at DeBell Golf Course?	_____
5 About how much would you say you have spent in total on merchandise (e.g., apparel, golf balls, clubs, and other items) over the 3 years at DeBell Golf Course?	_____
6 About how much would you estimate you spend, on average, on food & beverage each time you visit the course?	_____
7 Approximately how long have you been playing golf at DeBell Golf Course?	<input type="checkbox"/> Less than one year <input type="checkbox"/> Over one year      (_____) (List total years)
8 Did you first play at DeBell Golf Course because someone recommended us to you?	O Yes      O No
9 What are your most important reasons for not golfing more at DeBell Golf Course? Select any of the below answer choices that you consider to be a major barrier to golfing more:	
<input type="radio"/> Playing less due to financial considerations <input type="radio"/> Insufficient discretionary time for golf <input type="radio"/> Golf course is too difficult <input type="radio"/> I lose too many balls <input type="radio"/> Golf course is too short – I prefer regulation length <input type="radio"/> Can't use my driver on most holes	<input type="radio"/> Round of golf takes too long <input type="radio"/> Golf course is too congested <input type="radio"/> Course isn't welcoming for women <input type="radio"/> Golf course isn't welcoming for beginners <input type="radio"/> My friends play at another course <input type="radio"/> Fees are too expensive <input type="radio"/> Other (please explain) _____
10 How has your discretionary spending (including golf, dining, travel, entertainment, etc.) changed in the past year?	Significantly decreased O1   O2   O3   O4   O5 Significantly increased
11 How has the current economic climate affected the amount of golf you play?	I play much less O1   O2   O3   O4   O5 I play much more
12 When selecting where to play golf, which of the following influence your decision? (Check all that apply)	
<input type="checkbox"/> Course conditions <input type="checkbox"/> Reputations <input type="checkbox"/> Location <input type="checkbox"/> Pace of play <input type="checkbox"/> Golf specials or special discounts <input type="checkbox"/> Newspaper or magazine article <input type="checkbox"/> Awards/accolades of golf course <input type="checkbox"/> Hotel or condominium in-room guide <input type="checkbox"/> Chamber of Commerce <input type="checkbox"/> Advertisement in a golf newspaper or magazine	<input type="checkbox"/> Golf staff <input type="checkbox"/> Golf store – Edwin Watts, Golfsmith, etc. <input type="checkbox"/> Price <input type="checkbox"/> Amenities: GPS, practice facility, clubhouse <input type="checkbox"/> Recommendation from friend or other local golfer <input type="checkbox"/> Recommendation from hotel or local business <input type="checkbox"/> Convention & Visitors Bureau <input type="checkbox"/> TV or radio ad <input type="checkbox"/> Website information from course website <input type="checkbox"/> Opinions from others on online message boards
13 When buying golf merchandise other than at DeBell Golf Course, where do you make most of your purchases?	
<input type="radio"/> Online <input type="radio"/> Mass merchant retailer (Target, Wal-Mart, etc.) <input type="radio"/> Other golf course pro-shop	<input type="radio"/> I buy all of my golf merchandise only at DeBell Golf Course <input type="radio"/> Other area golf retail shop (Please list) _____
<b>Your Comments</b>	
14 What do you like most about DeBell Golf Course?	
15 If you haven't played a round at DeBell Golf Course within the last 12 months, what would it take for you to want to come back and play a round there again?	
16 If you were the person in charge, what improvements, in any aspect of the course or our service, would you consider making?	
SURVEY CONTINUES ON PAGE 2	



## GOLFER SATISFACTION SURVEY - PAGE 2

### Your Level of Satisfaction

For each factor below, select a number from 1 to 10 indicating your level of satisfaction.

Factors	Very Dissatisfied										Very Satisfied
17 Overall Course Conditions	<input type="radio"/> 1	<input type="radio"/> 2	<input type="radio"/> 3	<input type="radio"/> 4	<input type="radio"/> 5	<input type="radio"/> 6	<input type="radio"/> 7	<input type="radio"/> 8	<input type="radio"/> 9	<input type="radio"/> 10	
18 Pace of Play	<input type="radio"/> 1	<input type="radio"/> 2	<input type="radio"/> 3	<input type="radio"/> 4	<input type="radio"/> 5	<input type="radio"/> 6	<input type="radio"/> 7	<input type="radio"/> 8	<input type="radio"/> 9	<input type="radio"/> 10	
19 Overall Value	<input type="radio"/> 1	<input type="radio"/> 2	<input type="radio"/> 3	<input type="radio"/> 4	<input type="radio"/> 5	<input type="radio"/> 6	<input type="radio"/> 7	<input type="radio"/> 8	<input type="radio"/> 9	<input type="radio"/> 10	
20 Friendliness/Helpfulness of Staff	<input type="radio"/> 1	<input type="radio"/> 2	<input type="radio"/> 3	<input type="radio"/> 4	<input type="radio"/> 5	<input type="radio"/> 6	<input type="radio"/> 7	<input type="radio"/> 8	<input type="radio"/> 9	<input type="radio"/> 10	
21 Golf Course Design/Layout	<input type="radio"/> 1	<input type="radio"/> 2	<input type="radio"/> 3	<input type="radio"/> 4	<input type="radio"/> 5	<input type="radio"/> 6	<input type="radio"/> 7	<input type="radio"/> 8	<input type="radio"/> 9	<input type="radio"/> 10	
22 Food & Beverage – Quality/Selection	<input type="radio"/> 1	<input type="radio"/> 2	<input type="radio"/> 3	<input type="radio"/> 4	<input type="radio"/> 5	<input type="radio"/> 6	<input type="radio"/> 7	<input type="radio"/> 8	<input type="radio"/> 9	<input type="radio"/> 10	
23 Food & Beverage – Pricing	<input type="radio"/> 1	<input type="radio"/> 2	<input type="radio"/> 3	<input type="radio"/> 4	<input type="radio"/> 5	<input type="radio"/> 6	<input type="radio"/> 7	<input type="radio"/> 8	<input type="radio"/> 9	<input type="radio"/> 10	

### Your Experience at DeBell Golf Course

- 24 How satisfied are you, overall, with DeBell Golf Course?  
 Very Dissatisfied ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10 Very Satisfied
- 25 Given the cost to play here, do we meet your expectations?  
 We Fall Short of Expectations ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10 We Exceed Your Expectations
- 26 How does your overall satisfaction with DeBell Golf Course compare to your satisfaction with other similarly priced courses in the area?  
 Unfavorably ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10 Favorably
- 27 In the next 12 months, are you likely to play here more often, less often or about the same?  
 Much less often ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10 Much More Often
- 28 If asked, how likely would you be to recommend DeBell Golf Course to another golfer?  
 Not at all Likely to Recommend ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10 Extremely Likely to Recommend
- 29 Have you recommended DeBell Golf Course to anyone in the past 12 months?  
 If yes, how many times? \_\_\_\_\_ ☐ Yes ☐ No
- 30 Have you advised anyone against playing at DeBell Golf Course in the past 12 months?  
 If yes, how many times? \_\_\_\_\_ ☐ Yes ☐ No
- 31 If the tee markers that you traditionally play were moved up to a more forward tee position to make the game more enjoyable and to speed up play would you play the same color tees (and the new forward location) or would you continue to play your same tee location (using a different color tee marker)?  
☐ I'd play the same tee color and the new forward location ☐ I'd play a new tee color with the same tee location
- 32 How do you like to receive information about specials, events, and tournaments at DeBell Golf Course?  
☐ Flyer in clubhouse ☐ Facebook ☐ Radio ☐ Email  
☐ Mail ☐ Twitter ☐ Local golf magazine ☐ Newspaper  
☐ Sign on golf cart ☐ Text messages ☐ Website

### Your Last Round at DeBell Golf Course

- 33 Thinking only of your experience on the last round that you played at DeBell Golf Course, how satisfied were you, overall?  
 Very Dissatisfied ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10 Very Satisfied
- 34 When was the last time you played DeBell Golf Course?  
☐ Within the last 30 days ☐ Between 1 - 2 months ago ☐ Between 3 - 6 months ago  
☐ Between 7 - 9 months ago ☐ Between 10 - 12 months ago ☐ Between 13 - 18 months ago  
☐ Between 19 - 24 months ago ☐ Between 25 - 30 months ago ☐ Between 31 - 36 months ago

### Your Demographics

- 35 Please enter the zip code of your primary residence: \_\_\_\_\_
- 36 Please select your gender: ☐ Male ☐ Female
- 37 Please enter your age: \_\_\_\_\_
- 38 Please enter your average 18-hole score: \_\_\_\_\_
- 39 Which of the following best describes you?  
☐ Burbank resident card holder ☐ League player  
☐ Burbank resident (non-card holder) ☐ Vacationer  
☐ Non-resident club member card holder ☐ Non-resident  
☐ Non-resident (non-card holder) ☐ Club Member  
☐ Resident Club Member (man's, ladies, etc.)  
☐ Business/corporate outing golfer

### Your Contact Information

First Name: \_\_\_\_\_

Last name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Phone: \_\_\_\_\_

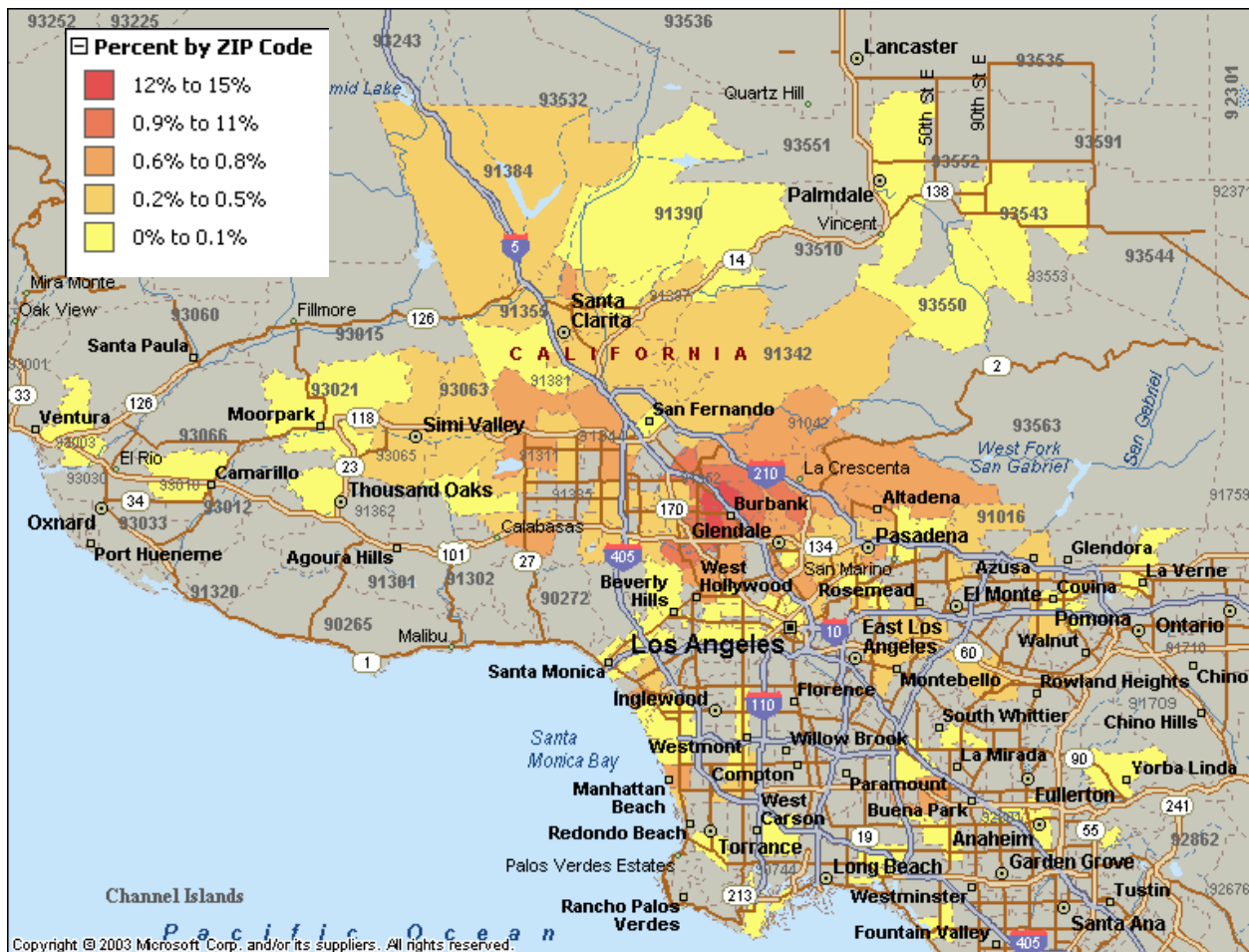
Email: \_\_\_\_\_

☐ Please keep me informed about special offers from DeBell Golf Course and its trusted partners and affiliates.

**THANK YOU FOR TAKING THE TIME TO RESPOND. PLEASE SUBMIT NO LATER THAN NOVEMBER 23<sup>RD</sup>.**

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## Customer Origin Map



## APPENDIX E – NATIONAL ROUNDS PLAYED

### NATIONAL GOLF ROUNDS PLAYED REPORT

POWERED BY



	OCT	YTD		OCT	YTD		OCT	YTD
<b>PACIFIC</b>	3.3%	-0.7%				<b>SOUTH ATLANTIC</b>	-8.4%	1.5%
CA	7.2%	0.2%				DE, DC, MD	-13.7%	-4.3%
Los Angeles	11.4%	1.2%	<b>UNITED STATES</b>	-6.5%	-3.8%	Washington/Baltimore	-14.0%	-4.1%
Orange County	10.6%	0.7%	<b>PUBLIC ACCESS</b>	-5.9%	-3.6%	FL	-10.5%	3.4%
Palm Springs	9.5%	-0.1%	<b>PRIVATE</b>	-8.8%	-4.3%	Jacksonville/Daytona	-10.9%	0.5%
Sacramento	5.4%	-0.9%				Orlando	-4.8%	3.7%
San Diego	7.6%	2.1%	<b>EAST NORTH CENTRAL</b>	-9.0%	-9.7%	Tampa	-11.0%	4.0%
San Francisco/Oakland	2.8%	-1.0%	IL	-6.1%	-8.5%	Palm Beach	-17.0%	3.0%
HI	8.6%	4.0%	Chicago	-3.3%	-7.6%	Sarasota	-5.9%	9.1%
OR	-2.7%	-5.3%	IN	-7.4%	-10.7%	Naples/Ft Myers	-7.9%	5.3%
Portland	-8.2%	-2.6%	MI	-12.0%	-7.5%	Miami/Ft.Lauderdale	-25.3%	1.6%
WA	-12.8%	-3.4%	Detroit	-11.3%	-9.1%	GA	-4.7%	1.4%
Seattle	-12.6%	-2.3%	OH	-21.1%	-14.8%	Atlanta	-5.2%	0.2%
			Cincinnati	-11.1%	-16.2%	NC	-6.5%	2.9%
<b>MOUNTAIN</b>	-2.0%	-1.6%	Cleveland	-25.6%	-13.3%	Greensboro/Raleigh	-4.4%	2.8%
AZ	1.9%	-0.1%	Columbus	-15.4%	-11.1%	SC	-1.8%	2.4%
Phoenix	1.5%	0.3%	WI	8.7%	-5.7%	Charleston	-0.8%	3.6%
CO	-14.5%	-2.8%	Milwaukee	10.6%	-4.7%	Hilton Head	3.3%	-0.8%
Denver	-13.8%	-1.9%				Myrtle Beach	-4.3%	5.1%
ID, WY, MT	-10.4%	-2.7%	<b>SOUTH CENTRAL</b>	-5.2%	1.2%	VA	-8.7%	-2.9%
NM	1.8%	-1.5%	AL	-6.4%	-5.7%	WV	-23.1%	-8.2%
NV	14.1%	5.3%	Birmingham	-7.4%	-0.7%			
Las Vegas	14.5%	5.5%	AR	-2.9%	-1.5%	<b>MID ATLANTIC</b>	-15.6%	-11.5%
UT	4.7%	-6.6%	KY	-10.9%	-10.7%	NJ	-12.6%	-11.4%
			LA	-1.9%	6.5%	NY	-14.5%	-10.3%
<b>WEST NORTH CENTRAL</b>	-7.0%	-6.0%	MS	-6.0%	4.0%	New York City	-9.3%	-10.0%
IA	-5.7%	-2.3%	OK	-6.3%	1.2%	PA	-18.5%	-13.0%
KS	-5.3%	-4.8%	Oklahoma City	-7.2%	2.0%	Philadelphia	-13.5%	-8.7%
NE	-9.1%	-5.5%	TN	-2.9%	-1.8%	Pittsburgh	-26.0%	-10.9%
ND,SD	-2.6%	-8.0%	Nashville	-0.9%	-1.5%			
MN	-10.0%	-10.3%	TX	-4.9%	5.8%	<b>NEW ENGLAND</b>	-6.5%	-6.3%
Minneapolis/St.Paul	-5.3%	-10.0%	Dallas/Ft. Worth	-7.7%	1.3%	CT	-14.2%	-10.0%
MO	-6.8%	-3.6%	Houston	-11.2%	5.0%	Hartford	-14.4%	-9.8%
St Louis	-4.9%	-4.6%	San Antonio	0.8%	14.9%	MA, RI	-2.5%	-4.2%
Kansas City	-3.6%	-5.4%				Boston	-4.9%	-4.1%
						ME, NH, VT	-7.0%	-7.0%

The percentages represent the differences in number of rounds played comparing October 2011 to October 2010.

For more information contact Golf Datatech, [golfroundsplayed@golfdatatech.com](mailto:golfroundsplayed@golfdatatech.com) or call 407-944-4118

## APPENDIX F – SUMMARY OF L.A. GOLF COURSE CONCESSIONS

Summary of Select City of L.A. Golf Course Concessions								
	Griffith Park		Hansen Dam		Sepulveda		Woodley Lakes	
	Pro Shop/ Driving Range	Food & Beverage	Pro Shop/ Driving Range	Food & Beverage	Pro Shop/ Driving Range	Food & Beverage	Pro Shop/ Driving Range	Food & Beverage
Annual Rent (Minimum)	\$250,000	\$70,000	\$85,000	--	--	--	\$85,000	--
Percentage Rent								
Pro Shop	5.0%		7.0%		5.0%		7.0%	
Range	30.0%		35.0%		30.0%		35.0%	
Instructions	10.0%		7.0%		5.0%		7.0%	
Food & Beverage		10.0%		4.0%		10.5%*		8.0%
Liquor		12.5%						8.0%
Coffee Shop/ Snack Bar						8.0%		
Banquet						10.0%		
<b>Rent Paid 2010</b>	<b>\$156,800</b>	<b>\$108,700</b>	<b>\$71,900</b>	<b>\$18,000</b>	<b>\$91,800</b>	<b>\$88,100</b>	<b>\$69,200</b>	<b>\$26,000</b>
*F&B-Bar								